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EXTERNAL AFFAIRS AND DEFENCE

UN General Assembly

SPEECH BY BRITISH FOREIGN AND COMMONWEALTH SECRETARY

The United Nations General Assembly, opening its thirty-second regular session on 20 September, elected Mr Lazar Mojsov, Deputy Prime Minister and Foreign Minister of Yugoslavia, as its President. Djibouti (see p 270) and Vietnam were admitted to the United Nations, bringing the membership to 149. Addressing the General Assembly on 27 September, Britain's Secretary of State for Foreign and Commonwealth Affairs, Dr David Owen, emphasised that 'support for the United Nations is a corner stone of [Britain's] foreign policy', and that Britain 'is resolute in [its] determination to help make the United Nations a more effective instrument for world peace and co-operation'. In this context, he emphasised the important role the United Nations had to play in the North-South dialogue, and called for its greater involvement in problems of world security, in particular those of Cyprus, the Middle East and Southern Africa.

North-South Dialogue

Pointing to the poverty, nutrition and health problems facing the developing countries, Dr Owen stressed that 'the human needs of the developing world are an inescapable challenge to us all and a central element in any foreign policy based on human rights. To establish a fairer and more rational international economic order,' he continued, 'both developed and developing nations must work together as equal partners. The dialogue, if it is to be successful, must be seen as a long-term sequence of negotiations on specific issues. . . . Those of us who represent the industrialised democracies are not entitled to use our economic difficulties as an excuse for abdicating from the dialogue. We must all try to ensure that we develop a long-term strategy which is credible and corrects the effects of some of the short-term decisions which we may feel compelled to take. If we continue into the future the present allocation of resources', Dr Owen warned, 'we will only perpetuate the existing imbalance between the developed and the developing world.'

One of the benefits derived from the Conference on International Economic Co-operation (CIEC: see pp 228-9), Dr Owen stated, was a realisation of the crucial role that collaboration over energy must play for all sectors of the world economy. In this connection, he welcomed the UN Secretary-General's recent proposals for some institutional development within the UN framework for the discussion of energy.

World Security Problems

In the crucial areas of poverty, hunger and disease, Dr Owen considered that the United Nations had shown itself to be an effective and practical instrument, despite the immense problems which remained. 'But in reducing conflict in the world, achieving peace and in restraining the armaments race', he went on, 'the United Nations cannot claim that its performance has anywhere near matched its aspirations.' Only 8 per cent of the United Nations' budget, he pointed out, was used for political, diplomatic and peacekeeping activities. In institutional terms, the maintenance of world security was the most neglected activity within the United Nations, it being seen, in contrast with health, hunger and poverty issues, as the preserve of national governments. The United Nations, the only forum in which the whole international community is represented, had the right and duty to be involved in disputes which threaten peace and stability whether on a regional or global scale. At present, however, it lacked the necessary authority and commitment, which could only be given to it by member states for a truly effective security role. The United Nations' overall record in world security problems, Dr Owen continued, should be analysed critically, particularly now that the Cold War era and confrontation diplomacy were over and when the super powers exchanged detailed information on the most sensitive security issue of all, namely strategic nuclear weapons. What was needed, Dr Owen said, was 'for the United Nations to stimulate a specialised and constructive dialogue between governments on every aspect of world security in a way which would improve the ability of the international community to respond quickly and effectively in situations where action by the United Nations is required. If such a dialogue was in operation today', he added, 'we could have been better able to examine some of the detailed security problems which now confront us all in Africa.'

Middle East

'In the Middle East', Dr Owen explained, 'the world still faces the most serious of all potential conflicts' and 'one might have thought here was an obvious

situation in which the United Nations could and should have played a more prominent role. For a number of reasons, which we understand, this has not so far been the case.' Nevertheless, the assistance of the United Nations remained a possibility should the present efforts in the region fail to yield success. In particular, Dr Owen thought that the United Nations had a role to play, either in supervising and operating the electronic and other devices (confidence-building measures in the shape of demilitarised zones, zones of limited forces, surveillance and early warning systems, and microwave links) which can give a military security which nations had hitherto believed could only come from the physical occupation of the territory; or, more importantly, in promoting an informed public debate on the underlying technical security issues.

Cyprus

Turning to the question of Cyprus, Dr Owen said that the danger of United Nations' peacekeeping involvement was that it could become an excuse for political inactivity or a substitute for serious negotiation. In Cyprus, as in the Middle East, the United Nations' peacekeeping forces had reduced hostilities and provided time in which serious negotiations could and should have taken place. So far, however, the current intercommunal talks had shown little progress and the situation had, if anything, deteriorated in recent months (see p 370). The present United Nations' commitment in Cyprus, however, was costly, and could not be taken for granted. Neither in Cyprus nor in the Middle East, Dr Owen warned, could the United Nations be used indefinitely as a cover for a stalemate in negotiations. It could not 'continue to be seen as a refuge of last resort – a permanent crutch for remaining in a state of "no peace, no war"'. What the United Nations could do was to establish both the political framework within which negotiations between the parties would take place and, through harnessing the initiatives of its member states and acting as a catalyst for their ideas, to help to provide the impetus needed to break out of the present stalemate.

Southern Africa

In Southern Africa, Dr Owen stated, it had become increasingly clear that 'only negotiated settlements which are internationally acceptable and which have the full support of the United Nations, will end the violence and achieve stable majority rule government'. Britain recognised that it alone could not ensure a peaceful transfer to majority rule, and that neither the Commonwealth nor the Organisation of African Unity (OAU) possessed an institutional framework which could help to provide the stable climate and international recognition for free elections. It was also clear that while Britain had legal responsibilities, which it did not and had not sought to evade, some additional catalyst to make the transition from war to peace, from illegality to legality, was necessary for an internationally acceptable settlement. The United Nations was already deeply involved in the Rhodesia problem and a draft resolution which Britain would table in the Security Council, which it believed had the support of the countries of the region, would provide for the appointment by the Secretary-General of a representative to enter into discussions, with the British Resident Commissioner-designate and with all the parties, with a view to establishing in detail the respective roles of all the forces in Southern Rhodesia during the transition to majority rule. The draft resolution, Britain believed, would provide the necessary basis for the ceasefire negotiation (see pp 338-40). No final settlement could be agreed or brought to the Council until these essential preliminary negotiations were completed.[1]

It was, Dr Owen explained, precisely because Britain was aware of the paradox of the United Nations' role – on the one hand, indispensable in the search for peace, and, on the other hand, limited in what it could achieve on its own initiative, being only what its members made of it – that it had framed proposals which acknowledged the vital importance of a United Nations' role in guaranteeing an impartial and orderly framework for negotiations, and in helping to supervise fair and free elections. The proposals also reflected the truth that peace on the ground was unobtainable unless there was first agreement between the parties who were conducting the fighting. The lessons of the United Nations' involvement in the Congo and in Cyprus was that a peacekeeping force had little chance of doing its job if, around it, rival armed forces were building up their strength and were determined to use it. This was why the Front Line States and the OAU had an important role in helping to achieve an independent Zimbabwe. They had supported the liberation forces in their struggle for freedom, but they had always maintained that it was for the people of Zimbabwe to determine who was to be the future president and who should form the Government on independence.

Dr Owen emphasised that, over the next few months and years, Southern Africa would be the focus of growing tensions, and the risk of urban violence there was considerable. As a result, he explained, 'those of us here ... who uphold the essentially peaceful values of pluralist democracy will come under growing challenge to support violent change. But if we cannot become the advocates of violence and at the same time stay true to our beliefs, our responsibility to the world is to show beyond any shadow of a doubt that change can be brought about by peaceful means: whether we are talking of Rhodesia, Namibia or South Africa .... Peaceful persuasion and pressures can still achieve results. Violence is the last resort: to advocate it alone is to threaten the whole system of values on which the United Nations rests and which we are all pledged to sustain.'

These considerations, Dr Owen went on, applied with particular force to South Africa with its apartheid, which 'is abhorrent to us all', and which supports and sustains the illegal regime in Rhodesia. South Africa faced a choice between a democratic and orderly evolution and an inevitable descent into bloodshed and violence, and its decision could present a challenge to all members of the United Nations. If the negotiations over Rhodesia produced a settlement endorsed by the Security Council, the world would not allow South Africa to continue in

[1]The Security Council approved the draft resolution by 13 votes to nil (the Soviet Union abstained and China declined to participate) on 29 September.

the face of such a settlement to sustain an obdurate illegal regime in Rhodesia were it to refuse to give up power. With regard to the situation within South Africa, Dr Owen stated that international efforts 'to turn a state away from institutionalised racialism ... will not be achieved overnight but must be achieved'. The tough code of conduct recently adopted by the European Community for its companies operating in South Africa (see below) demonstrated, by attacking racialism at the place of work, one form of positive action which, Dr Owen hoped, others would also adopt. It was 'but one of the pressures for continuous change which it is vital we espouse if peaceful change is to be successful'.

Disarmament

The British Government, Dr Owen stated, was traditionally active in seeking disarmament and promoting non-proliferation of nuclear weapons, and was particularly glad that the United States, the Soviet Union and Britain were now actively negotiating a comprehensive nuclear test ban treaty. This achievement, which had eluded the world for too long, would have a profound effect in limiting the proliferation of nuclear weapons. (Dr Owen had earlier referred to the importance, in view of the current situation in Southern Africa, of South Africa signing the non-proliferation treaty.) Dr Owen also welcomed next year's special session of the General Assembly on disarmament, which 'would directly engage the international community and the United Nations in what must be a world effort to promote disarmament and check nuclear proliferation'. While certain disarmament negotiations were necessarily the subject of bilateral or restricted dialogue, it was vital that the international community and the United Nations in particular should not be excluded from the disarmament effort. It would perhaps have been easier, Dr Owen suggested, to secure more accessions to the non-proliferation treaty had the international community as a whole, as opposed to a small group of major nuclear powers, been more closely involved in its formulation.

European Community

At a political co-operation meeting, foreign ministers agreed a code of conduct for Community companies operating in South Africa; in the field of external relations, an arrangement has been made with the International Atomic Energy Agency (IAEA) providing for the inspection of nuclear installations in Community countries, and it has been announced that the Community and COMECON are to open negotiations next year on trade matters. On fisheries, measures have been taken to protect the herring stock, to regulate fishing by non-member countries in Community waters, and to allocate the Community's catch quota in Norwegian waters among member countries. Agriculture ministers have agreed on a price rise for New Zealand butter and cheese imports into Britain, a mandate for the negotiations in Geneva for an international sugar agreement, and the devaluation of the Danish green krone. Other decisions reached concerned matters relating to apples, hops and cereal seed.

POLITICAL CO-OPERATION MEETING

A code of conduct (see pp 300-1) for Community companies with subsidiaries, branches or representation in South Africa has been agreed by foreign ministers at a political co-operation meeting held in Brussels on 20 September. The main recommendations of the code are that (1) black African employees should be free to form or join a trade union, and companies should recognise these unions and negotiate and conclude agreements with them; (2) employers should try to ensure freedom of movement for black workers and their families, and should make it their concern, in the meantime, to alleviate as much as possible the effects of the migrant labour system; (3) with regard to pay, companies should provide a minimum wage at least 50 per cent higher than the minimum level required to satisfy the basic needs of an employee and his family; (4) the companies should carry out a non-discriminatory wage policy by adopting the principle of 'equal pay for equal work' irrespective of racial or other distinction, and should also provide training schemes for black workers to reduce dependence on immigrant white labour; (5) the companies should set aside funds to help improve the welfare of their black African personnel; and (6) employers should do everything possible to abolish any practice of segregation, notably at the work place, in canteens, sports activities, education and training; they should also ensure equal working conditions for all their staff. Finally companies are asked to publish each year detailed and fully-documented reports on the progress made in applying the code, including information on the number of black Africans employed by the undertaking. These reports are to be forwarded to the Governments of the Nine and will be reviewed by them.

Commenting on the code after the meeting, the British Foreign and Commonwealth Secretary, Dr David Owen, said: 'There is a greater recognition of the role of the black trades unions than ever before, which many people in South Africa consider to be fundamental for making any change in society.' He said that the code was more specific than the one which Britain had operated for the past three years (see p 155, 1974) and directed itself towards the basic changes that needed to be made in a system based on racialism. He went on: 'If you believe there can still be change in South Africa this is the serious sort of way in which we should respond. Not in threatening in the sense of driving South Africa into total resistance but ... allowing the possibility of evolutionary change ... and focusing on the improvement of black trades unionism.'

EXTERNAL RELATIONS

Negotiations with COMECON

The European Community and COMECON (see p 56, footnote 1) have agreed to open negotiations in the first half of next year in order to develop commercial co-operation.

Inspection of Nuclear Installations

An arrangement has been made between the European Atomic Energy Community (Euratom) and the International Atomic Energy Agency (IAEA) providing for the introduction of verification procedures in respect of nuclear fuel reprocessing plants and light-water reactors. The Council of Ministers, which agreed this at its meeting on 20 September, also laid down a set of guidelines to assist the Commission in further negotiations with the agency on other establishments.

FISHERIES

Herring Conservation

At its meeting on 26 and 27 September, the Council of Ministers agreed to extend the ban on fishing for herring in the North Sea until the end of October (see p 301). The Council will consider a further extension of the ban at its meeting on 24 and 25 October.

At the 26-27 September meeting, the Council also agreed to prohibit in all Community waters, for an indefinite period, fishing for and landing of herring for purposes other than human consumption.

The British ministers responsible for fisheries have issued three orders which also aim at protecting herring stocks and result from Community decisions.

Two of the Orders, which give effect to arrangements adopted by the Community and the Isle of Man, subject herring fishing in the Irish Sea to licensing. The Isle of Man authorities issue licences to United Kingdom and Irish vessels for fishing within 12 miles of the Isle of Man, while licences for United Kingdom vessels to fish in the remainder of the Irish Sea will be issued by the United Kingdom authorities. The arrangements also include the fixing of national catch quotas for United Kingdom and Isle of Man, Irish, French and Netherlands vessels.

The third Order prohibits fishing for herring from 1 October to 19 November 1977 in the north-eastern part of the Irish Sea between the Isle of Man and the west coast of Britain. This Order applies to both British and overseas vessels.

Non-member Countries

The Council meeting on 26 and 27 September also dealt with several fishery items concerning non-member countries.

The measures for controlling the fishing by non-member countries in Community waters (see pp 59 and 269) were extended until the end of the year with regard to the Faroe Islands, Finland and Portugal,[1] and until 30 November with regard to the German Democratic Republic and Poland.

[1]Licences for those countries' vessels will henceforth be delivered by the Commission.

The Council discussed the continuation of fishing arrangements for Soviet vessels, following the receipt of a Soviet note limiting Community fishing in the Barents Sea to 1,800 tonnes during October and November. The Council agreed that this offer was unacceptable and that, if a satisfactory offer was not received by 30 September, the interim arrangement under which Soviet trawlers were fishing in Community waters would not be extended beyond that date. No such offer has, in fact, been received, and Soviet fishing is not now allowed in Community waters except for a small amount in an area covered by the convention establishing the International Commission for the North-West Atlantic Fisheries.

The ministers agreed on the division among member states of the catch quotas allocated to the Community by Norway in its northern waters for the period from 1 September to 31 December 1977, and on the catch quota for west of Scotland herring to be allocated to Norway for the same period. The British Minister of Agriculture, Fisheries and Food, Mr John Silkin, told journalists that Britain had agreed to a cut in the share of the north of Norway catch proposed for Britain by the Commission. [This enabled an agreement to be reached by the Council, after France and the Federal Republic of Germany had pressed for larger shares; it prevented an unsatisfactory 'free-for-all' for Community fishermen within the global quota.]

AGRICULTURE

Devaluation of the Green Krone

On 13 September the Community's Council of Ministers agreed to the devaluation of the Danish green krone by 5 per cent. This agreement was reached in the light of a discussion during which the Commission agreed, at Britain's suggestion, to make a report at the beginning of October on the distorting effect of monetary compensatory amounts (MCAs) on trade in the pigmeat and other sectors, and the Danish agriculture minister gave an undertaking – requested by Britain – that, in the event of the study proving that there was distortion in the pigmeat sector, he would not reject out of hand proposals to remedy the situation.

Speaking about these developments after the Council meeting, at which he had led the British delegation, the Minister of Agriculture, Fisheries and Food, Mr John Silkin, said that he had 'made the point that changes in green currency rates were primarily a matter for the country concerned but possible consequent trade distortions always needed to be considered'.

The devaluation brings the Danish monetary unit used for agricultural purposes into line with the recently-reduced exchange rate for Danish currency. It means that Danish agricultural exporters will not be required to pay monetary compensatory amounts (MCAs or export taxes) on sales made to other member countries of the Community (see p 96, 1975). Such MCAs would have partly reduced the advantage enjoyed by Danish exporters in the British market, due to the import MCAs (subsidies) resulting from the depreciation of sterling (see p 61).

New Zealand

A 10 per cent rise in the price of New Zealand butter and cheese imported into Britain was agreed by agriculture ministers at a Council of Ministers meeting on 27 September. The rise came into effect on 1 October. The Commission is to continue discussions with the New Zealand authorities about a possible reduction in the future level of butter and cheese imports, in return for which the Council of Ministers would consider a further price increase.

Speaking about the agreement after the meeting, the British Minister of Agriculture, Fisheries and Food, Mr John Silkin, said he was relieved and pleased at the decision. The last price rise had been in January 1976, since when production costs had risen by more than 20 per cent. New Zealand had applied for a larger price rise but, as it was prepared to accept the 10 per cent offer, Britain was also in agreement.

The increased price is to be borne as a cost by the British Government and will not affect retail prices.

Sugar

Agriculture ministers also agreed a new mandate which has enabled the Commission to take part in the United Nations Sugar Conference in Geneva (expected to conclude on 7 October) being held with the aim of establishing a new international sugar agreement. Mr Silkin said that the principle of the new mandate was that the Community would accept a so-called 'parallel discipline' on its net exportable surplus of sugar, if the world price of sugar fell to a certain level. (That is, the Community would reduce its sugar sales to the world market by the same proportion as other richer exporting countries operating under the international sugar agreement.) The aim of the restrictions would be to keep up the world sugar price and thus the export earnings of those developing countries dependent on sugar production. The mandate makes clear that the restrictions would only apply to net exports – that is, Community imports of sugar from the ACP countries under the Lomé Convention (see p 220) would be set against the level of sugar exports, and the restrictions would then apply to the exports above that figure.

Mr Silkin described the agreement as 'a very good result' which would enable the Community to take part at Geneva. This in itself, he said, would help the prospects of a new international sugar agreement, but the future course of the Geneva negotiations remained uncertain.

Apples

The Commission has agreed to propose a suspension of the 14 per cent tariff on apples imported into the Community. This follows a request made by Mr Silkin at the Council of Ministers' meeting, during which he urged that the tariff be set aside in order to offset the current high price of apples, caused by a shortfall in Community production.

Hops

A regulation prohibiting any increase in hop acreage in Community countries before 1 January 1980 came into force in Britain on 1 October 1977. The regulation has been introduced to help combat surpluses of hops and hop products that have been occurring in Community and world markets. In future, a hop producer will not be able to increase his acreage, apart from temporary increases in the course of rotational replanting, unless he has a licence from the Ministry of Agriculture, Fisheries and Food. This will normally be granted only if there is an offsetting decrease in some other part of the applicant's hop area, or the area of another hop grower. The same rules will also apply to anyone who wishes to begin growing hops commercially.

Wheat Seed

The Community has agreed that, until 15 November 1977, the sale of first and second generation winter wheat seed in Britain may have a minimum germination level of 80 per cent, instead of 85 per cent. Normally wheat seed must have a germination of at least 85 per cent in order to be marketed, but this year germination levels have been affected in Britain by the prolonged wet weather of recent weeks and insufficient supplies have been coming forward. The relaxation of the standard is intended to ensure that adequate stocks of seed are available for autumn sowing.

Detente and Human Rights

SPEECH BY DR OWEN

The Secretary of State for Foreign and Commonwealth Affairs, Dr David Owen, delivered a speech on Britain's attitude towards *detente* and the question of human rights at the Chicago Council on Foreign Relations on 29 September. In his speech Dr Owen stated that the continued progress of *detente* between the Soviet Union and the West depended on all states exercising restraint and responsibility in the conduct of their foreign policy, notably in 'Third World' areas. Human rights, Dr Owen said, reflected the values on which Western societies were based, and the promotion of these rights was an integral part of Western foreign policy throughout the world.

Co-operation and Competition between East and West

Dr Owen began by recalling a speech last March (see pp 102-4), in which he had stated Britain's continuing support for *détente* but, at the same time, had emphasised the complexities of *détente* and the internal tension between the co-operative and competitive aspects of the process. Elaborating on this point, the Foreign and Commonwealth Secretary examined the relationship between *détente* and what the communist countries called the 'ideological' struggle. This struggle, he said, manifested itself in two ways: one which was acceptable and one which was not. The acceptable and true form was 'the free competition of ideas': a competition between the communist way of life,

founded on 'collectivism, totalitarian philosophy, and the absolute sway of a single party in the Soviet Union and, in varying degrees, in Eastern Europe', and the parliamentary, democratic way of life, founded on 'individual liberties and free institutions which allow full play to the development of the human personality'. It was a paradox that *détente*, as it increased contact and communication between East and West, also heightened the competition between the two ways of life. The West, though not without serious economic problems of its own, had nothing to fear from such competition. The Eastern side, on the other hand, tended to be afraid of this competition and tried to circumscribe it, and prevent it from being competition in any truly free sense. Consequently, it tried to limit the scope for the freer exchange of ideas in Eastern Europe by insisting on state control of contacts between individuals and organisations, by labelling the West's approach to *détente* as a threat to Soviet and East European sovereignty, and by claiming that the West was breaking the rules on non-interference in internal affairs.

Unacceptable Aspects of Soviet Foreign Policy

The ideological struggle became unacceptable, said Dr Owen, 'where it is used as a cloak for the prosecution of destabilising policies particularly in the Third World, in the interests of promoting Soviet power and influence'. While every power had a right to work for the improvement and consolidation of its relations with other countries anywhere in the world, the methods adopted and the underlying objectives deserved to be carefully considered and were bound to have a direct effect on that country's credibility in the eyes of the rest of the world. 'The world we stand for', he said 'is pluralistic: one in which all our people are, individually and collectively, free to control their own destinies; free to choose their own systems of government and to change their governments when they wish; free to shape their own societies; free, if they wish, to change their frontiers by negotiations and peaceful agreement in accordance with international law; free to seek help from others or to refuse it; free to order their economies and their foreign trading policies in the directions they think most likely to promote their own well-being; free to choose public ownership or private ownership or a combination of both; free to move in or out of their frontiers; free to read or learn as they wish about anything, anywhere'. It was wholly unacceptable that any power should foster, exploit or aggravate unstable situations in order to extract advantage. 'Irresponsible behaviour in areas beyond the boundaries of Europe and North America', said Dr Owen, 'will have a direct effect on the way in which public opinion within Europe and North America evaluates the *détente* process.'

Another unacceptable feature of this application of the ideological struggle was the poor performance of communist countries in the transfer of resources to countries in the Third World. Although the industrialised democracies, Dr Owen stated, could and should make a greater effort, it was estimated that in 1975 the net aid disbursements of the Soviet Union and Eastern Europe to the Third World (excluding Vietnam and Cuba) amounted to less than 5 per cent of those of the industrialised democracies, whereas on any scale of equivalence related to GNP it should have been about 36 per cent. Furthermore, too much of the aid that was given was focused on arms and military equipment, and far too little on the basic economic needs of the developing world. If the world was serious about alleviating poverty and inequality, the North-South dialogue should be widened to include communist countries and others, who were in a position to contribute generously and constructively. But this potential area of co-operation could not be realised, Dr Owen said, 'as long as communist countries attach greater importance to the power struggle than to a co-operative and responsible approach to the crucial issue of world poverty'.

In the past 25 years, the Foreign and Commonwealth Secretary said, *détente* had been built on the steady progress made by East and West in managing the mutual threat presented by each other's nuclear weapons, and now the question was whether the two sides could advance the *détente* process by 'placing within manageable bounds the mutual threat presented by the ideological struggle'. There could be no lasting and stable peace in the world if attempts to find peaceful solutions in different continents were sabotaged either by 'other nations acting on behalf of major participants in the ideological struggle; or encouraging solutions by force based on massive exports of modern or obsolescent weapons'. *Détente*, he said, was indivisible, and it was right to resist destabilising acts, wherever they occurred, in the name of *détente*.

Detente and Human Rights

Turning to human rights, the Foreign and Commonwealth Secretary posed the question of how circumspect the West should be in challenging the Soviet Union to free competition in the East-West dialogue. He admitted that the answer was not easy, but stated that the true ideological struggle was fundamental to *détente*, and had to be 'steadfastly pursued'; on the other hand, it was no use asking for rapid change. 'We must', he said, 'assert our Western values unhesitatingly; we should make it clear that we shall not compromise. But we must recognise that change involves human behaviour and that can come only by evolution.' Asserting that this argument applied with particular force to the human rights issue, Dr Owen said that human rights embodied the values which underlay Western societies and gave sense to Western efforts in the ideological struggle. 'Unless the relaxation of tensions', he said, 'brings greater enjoyment of human rights, *détente* has no meaning or purpose beyond our immediate survival. We shall never have a world in which peace, stability and prosperity are the rule, not the exception, unless there is also respect for basic human rights and civil liberties.' Each Western country would have to make its own judgment in terms of practical politics, on how best to register the concern of its public opinion at abuses of human rights, but these differences should be seen as variations on a central theme, as the united front displayed by representatives of the Western democracies in the preparations for the Belgrade review

conference[1] had demonstrated. At Belgrade, the differing attitudes of East and West towards human rights were potentially one of the sharpest manifestations of the conflict inherent in the *détente* process, and would consequently require 'firm but sensitive handling'.

Détente, Dr Owen went on to say, was a relationship in which competition between East and West existed side by side with the search for common ground. On the one hand, Western public opinion had made it plain that it would not support *détente* unless it advanced the cause of human rights in Eastern Europe; on the other, a vital condition for championing human rights in that part of the world was the continuation of *détente* itself. Thus there was a need to strike a balance between principles and the means employed to put those principles into effect. 'We must try', Dr Owen said, 'to bring the Soviet Union and its partners to realise that our concern for human rights is not a diversionary tactic, nor a provocative campaign, nor an attempt to sabotage *détente*. On the contrary, it is an integral part of our foreign policy throughout the world; and as far as East-West relations are concerned, a serious and imaginative attempt to raise *détente* to a new and higher level.'

Development of *Detente*

The innumerable contacts between East and West in recent years had resulted in *détente* establishing its own infrastructure and bureaucracy with a vested interest in the continuation of the process. While this was reassuring, Dr Owen said, it was not enough. 'The lesson of the past 25 years is that without the repeated stimulus of a bold political input at the highest level there can be no qualitative advance in East-West relations.' However, there had to be a balance between these elements of a bold political contribution and bureaucratic continuity, and the Foreign and Commonwealth Secretary thought there were 'clear, practical constraints on how far and how fast the Russians can be induced to take on board new thinking and new proposals on major East-West issues'.

Dr Owen concluded his speech by referring to arms control. He noted that *détente* had its origins in this issue, and that today it could prosper only fitfully as long as the arms race continued in nuclear and conventional weapons. Progress in arms control, however, had been slow, and, as a result, future progress in *détente* would not be easy, but 'its importance should in no way be belittled'.

Statement on Defence Savings

Following consultations with NATO on how to achieve the defence budget reduction of £230 million in 1978-79 (announced in December 1976, see p 23), the Ministry of Defence issued a statement on 16 September in which it outlined the broad allocation of these savings, and restated the main areas of Britain's contribution to the defence effort of NATO.

The statement was in response to a letter sent by the Secretary-General of NATO, Dr Joseph Luns, which set out the attitude of the Defence Planning Committee of the North Atlantic Council towards the reduction in Britain's planned defence expenditure. Dr Luns maintained that, although Britain had attempted to ensure that the effects of the savings on its contribution to NATO were kept to a minimum, such reductions would inevitably be detrimental to the effectiveness of British forces. He emphasised that 'NATO, faced with an increasing threat, cannot afford any lessening of its members' defence efforts, and that any further cuts by the United Kingdom would not be understood by its Allies or find any measure of support on their part'. Dr Luns also expressed the hope that, with the improvement in the position of the British economy, the defence budget would be increased to the levels set by the 1974 Defence Review.

The Ministry of Defence statement took note of the views expressed by the Alliance and of its recognition of the thorough efforts made to ensure that the savings would be achieved with the minimum effect upon Britain's front-line contribution to NATO and its essential support. Even after the cuts in planned defence expenditure, Britain would be spending about 5 per cent of its gross domestic product on defence, a level well above the average of European members of the Alliance. The statement pointed out that British forces were of a high quality in a wide variety of roles, and that Britain was the only European member of NATO that made a major contribution in all the fields of the Alliance defence effort – in Allied Command Europe, in the Channel and the Atlantic, and in the nuclear elements of NATO. Britain's defence budget of £6,500 million contained a higher proportion devoted to equipment than any other member's budget, while, of the European members, Britain committed the largest number of ships and the second largest number of aircraft to the Alliance. Consequently, the statement went on to say that 'the United Kingdom does and will continue to make a full contribution to the Alliance commensurate with the United Kingdom's economic capability and a fair sharing of defence burdens'.

The statement pointed out that Britain shared the Alliance's concern at the growing disparity between NATO and Warsaw Pact military capabilities, and its clear view that there could be 'no slackening of overall Alliance efforts in the long term in the face of that growing disparity'. These and other relevant factors would be taken into account when Britain came to settle the future levels of its defence budget after 1978-79 in the normal course of the public expenditure survey.

Turning to the reductions in defence expenditure, the statement set out the programmes where these savings would be found. About one-half of the total would be related to equipment, about one-fifth to works, and the balance to support. The equipment savings would mainly be found by deferring the production of new equipment, and

[1]For the background and details of this meeting, see COI Factel No 678, September 1977, *The Belgrade CSCE Follow-Up Meeting*.

there were also likely to be cancellations of some specific projects, but these would not affect the major equipment programmes. Savings would also be found from cuts in research and development expenditure, from further economies in service and civilian manpower costs, and from general support and administration; there would, however, be no additional service redundancies.

Security Council Debate on Cyprus

The United Nations Security Council has expressed concern at the situation caused by recent developments in Cyprus, and has called on the two communities in the island to refrain 'from all unilateral actions . . . that may affect adversely the prospects for a just and peaceful solution of the Cyprus problem' and to resume negotiations as soon as possible 'on the basis of comprehensive and concrete proposals'. The resolution was supported in a speech by the British Permanent Representative, Mr Ivor Richard.

The Security Council resolution was adopted without a vote on 15 September, at the end of a debate which followed a complaint by Cyprus that the situation on the island was 'seriously deteriorating' as a result of Turkish actions which – Cyprus claimed – included a move 'to colonise the new Famagusta area'. Cyprus stated that this move, in an area which 'has never been occupied and remained a sealed-off city, pending the arrangements for the return . . . of its legitimate population', had brought to a climax a situation which involved 'the expulsion of the indigenous Cypriot inhabitants and the systematic implantation in their homes of alien population massively transported from Turkey'.

In the resolution the Council, after 'taking note of the statements . . . regarding recent developments in the new Famagusta area to the effect that there is no settlement in progress in the area',[1] expressed 'concern at the situation caused by recent developments', called 'upon the parties concerned to refrain therefore from all unilateral actions anywhere in Cyprus that may affect adversely the prospects for a just and peaceful solution of the Cyprus problem', called for implementation of the Council's previous resolutions (see below), expressed 'concern at the lack of progress at the intercommunal talks', and called 'on the representatives of the two communities, under the auspices of the [United Nations'] Secretary-General to resume negotiations as soon as possible meaningfully and constructively on the basis of comprehensive and concrete proposals'.

[1]During the debate, a member of the Turkish Cypriot community, Mr Vedat A. Celik, whom the Council had invited to attend the meeting, said that the action of which the Cyprus Government complained did not constitute resettlement but consisted of the use of one building as a catering institute, and the allocation of various houses and apartments to the institute's staff and pupils.

BACKGROUND[1]

Cyprus, formerly a British dependency, has been an independent and sovereign republic since 1960, and is a member of the Commonwealth.[2] The basic articles of the constitution adopted by the new state were intended to ensure that the rights and interests of the Greek and Turkish Cypriot communities should be fully respected and kept in balance. In practice the constitution became a subject of conflict between the two communities. Following a serious outbreak of intercommunal fighting in 1963, a United Nations Peacekeeping Force in Cyprus was set up; this force remains in existence. Since the fighting, the Turkish Cypriots have taken no part in the government of the republic as such, but in 1968 they set up a provisional administration to administer the Turkish Cypriot enclaves on the island, pending an intercommunal settlement.

The 1974 Crisis and its Aftermath

In July 1974 the Government of Cyprus, led by Archbishop Makarios, who had been President since independence,[3] was overthrown by troops of the National Guard. This Greek Cypriot military force was commanded by officers seconded from the Greek Army, who were thought to have supported the movement aiming at *enosis* (union of Cyprus with Greece). *Enosis* has always been opposed by Turkey, and the coup was quickly followed by a Turkish invasion of Cyprus. Archibishop Makarios's Government was subsequently restored, but Turkish troops have remained in control of a large proportion of the Cyprus territory. In February 1975, the leader of the Turkish Cypriot community, Mr Rauf Denktash, proclaimed the setting-up of the so-called 'Federated Turkish State in the Republic of Cyprus', and made it clear that he saw the future of this 'state' as lying within an independent federated Cyprus. Talks between representatives of the Greek and Turkish communities in Cyprus – begun in September 1974 and dealing at first only with humanitarian problems, but later also with political questions – were interrupted after the proclamation.

International Efforts

A ceasefire declaration was signed on 30 July 1974, ten days after the Turkish invasion, as a result of talks between Britain, Greece and Turkey in Geneva. In December, the United Nations Security Council passed a resolution endorsing a call by the UN General Assembly for speedy withdrawal of all foreign armed forces[4] from Cyprus and an end of all foreign interference, and for all parties to co-operate fully with the UN Peacekeeping Force. In another resolution, adopted in March 1975, the Council requested that the Secretary-General should use his good offices to bring about a resumption of negotiations between the Greek and Turkish Cypriots, asked all states to respect the sovereignty, independence and non-alignment of Cyprus, stated

[1]For a more detailed account of developments in Cyprus up to February 1975, see pp 305-9, 1974, pp 59 and 148, 1975, and COI Factsel No 650, August 1974, *Cyprus: The Crisis and its Background*.

[2]Britain continues to maintain forces at sovereign bases in Cyprus.

[3]Archbishop Makarios died on 3 August 1977 (see p 341).

[4]The British Sovereign Base Areas are not affected by the resolution.

that no attempt should be made to partition the island or to unite it with another country, and reiterated earlier UN calls for the prompt withdrawal of foreign troops and the safe return of refugees to their homes.

Following the March 1975 resolution, intercommunal talks began in Vienna under the auspices of the UN Secretary-General, Mr Kurt Waldheim.

New guidelines for the negotiations were agreed during meetings between Archbishop Makarios and Mr Denktash early in 1977 (see p 102). In February, Mr Clark Clifford, as President Carter's special envoy, visited Cyprus, as well as Greece and Turkey, to assess prospects for an early movement towards a negotiated settlement of the Cyprus problem and to see how the United States might assist in that process. Before returning to Washington, he had a meeting with the British Foreign and Commonwealth Secretary, Dr David Owen, on 28 February. The latest round of intercommunal talks took place in Nicosia from 20 to 26 May 1977, under the auspices of Senor Javier Perez de Cuellar, Special Representative of the Secretary-General.

BRITISH VIEWS[1]

British policy towards Cyprus is based on the active support for the relevant resolutions of the United Nations. The Prime Minister, Mr James Callaghan, who was at that time Foreign and Commonwealth Secretary, stated in 1975: '... [the] Government will be ready to support any solution which is acceptable to both communities, and which maintains the sovereignty, independence and territorial integrity of Cyprus' (see pp 59-60, 1975). Speaking in the latest Security Council debate on the subject (see p 370), Britain's Permanent Representative to the United Nations, Mr Ivor Richard, said: 'Governing our approach to this debate has been the conviction that the most urgent requirement at the present time is to get the negotiations going again through a resumption of the intercommunal talks ...'. It was necessary 'to ensure that any action taken by the Council should help and not hinder this process'. 'We believed', continued Mr Richard, 'that this could best be done by a resolution which, while taking proper account of the legitimate concerns of the Cyprus delegation was fair and balanced, and which took account of the legitimate concerns and apprehensions of both sides.' He thought that the proposed resolution (which was subsequently adopted by the Council), while 'inevitably a compromise', represented 'a reasonable outcome' to the debate.

Mr Richard emphasised the importance Britain attached to the intercommunal talks 'as the only forum which offers a real prospect for progress to be made'. In Britain's view, it was of great importance that the talks should be resumed as soon as possible, 'and that the two sides should be prepared to come to them with comprehensive and concrete proposals'.

Turning to the particular subject of the debate, Mr Richard said: ' ... my delegation has pointed out on frequent occasions in the past that, if the talks are to make progress, this can only be done in an atmosphere undisturbed by actions or statements which could prejudice the chances of reaching a settlement. This means in particular that there should be no unilateral moves to alter the existing *status quo* in the island.' He attached great importance to the assurances given to the Council that recent moves in the new Famagusta area did not constitute colonisation or resettlement, as such development would undermine the climate of confidence necessary for the success of the talks.

[1]See p 364 for some comments on the Cyprus problem by the Foreign and Commonwealth Secretary.

Solomon Islands Constitutional Conference

At the Solomon Islands Constitutional Conference, which was held in London from 6 to 16 September, it was agreed that the Solomon Islands should achieve independence in mid-1978. The conference was presided over by Lord Goronwy-Roberts, Minister of State at the Foreign and Commonwealth Office. The Solomon Islands delegation, led by the Chief Minister, Peter Kenilorea, included seven of the nine Solomon Islands ministers and also included representatives of the independent group in the Legislative Assembly, led by Willie Betu. The decision to convene the conference had been reached during earlier discussions in London from 9 to 17 May between the British Government and a delegation from the Solomon Islands led by Mr Kenilorea, during which agreement was reached on the financial settlement and the framework of the financial arrangements to come into effect at independence.

Conference Decisions

At the closing session of the conference on 16 September a report was signed by the British and Solomon Islands delegations embodying the principles which it was agreed should be included in the independence constitution.

The Solomon Islands, at present a British dependent territory with internal self-government (see p 16, 1976), will become a constitutional monarchy with the Queen as Head of State represented locally by a Governor-General who must be a citizen of the country. There will be a unicameral parliamentary system and a Cabinet Government headed by a Prime Minister. Emphasis has been laid on the devolution of power to provincial governments, and chiefs and traditional leaders are to be given a special role within these arrangements. The constitution will contain comprehensive provisions for fundamental rights and freedoms, and will also provide for the establishment of the underlying law based on the laws and local customs of the Solomon Islanders. The indigenous people of the Solomon Islands will acquire citizenship automatically on independence, and others having close ties with the islands will be able to acquire citizenship on application.

The British Government has agreed to make available a grant of £26 million in development and budgetary aid to the Solomon Islands in the four years following independence. A further sum of about £2 million will be made available from the European Development Fund in addition to the £4 million already allocated.

For further information, see COI fact sheet, *The Solomon Islands*, FS8/76.

Shorter Notes

PRIME MINISTER'S VISIT TO ITALY

The Prime Minister, Mr James Callaghan, paid an official visit to Italy from 21 to 23 September for talks on matters of mutual concern with the Italian Prime Minister, Signor Giulio Andreotti. Mr Callaghan stated after the talks that much of the time had been spent discussing the problems of inflation and unemployment, and that both parties had acknowledged that the increase in world trade was disappointing: 'We would both, I think, like to see the stronger countries taking more expansive action. Germany and Japan have already taken such action and this would be a help. We would like to see further action yet.'

Other topics discussed included a number of matters concerning the European Community. Both Prime Ministers gave support to the future enlargement of the Community, to encompass Greece, Portugal and Spain (see pp 218 and 301). They also discussed the prospects of holding direct elections to the European Assembly in 1978 (see pp 255-6), and the prospects for a Community agreement with the sugar-exporting countries (see p 367).

On the second day of his visit, Mr Callaghan had a private audience with the Pope.

Chancellor's Statement at IMF

The improvements in Britain's financial position, rate of inflation and balance of payments were outlined by the Chancellor of the Exchequer, Mr Denis Healey, in a speech to the recent meeting of the International Monetary Fund (IMF). He pointed out, however, that Britain's economic prospects depended critically on world economic recovery and that a significant increase in aggregate international demand was necessary to prevent continued rises in world unemployment and irresistible pressure towards protectionism. The Chancellor has been elected chairman of the Interim Committee (see p 434, 1974).

Mr Healey opened his speech to the Joint Annual Meeting of the IMF and the International Bank for Reconstruction and Development (IBRD) in Washington on 27 September, by expressing his personal pleasure at Mr Macnamara's acceptance of a third term as President of the World Bank Group and his regret at Mr Witteveen's decision to retire in 1978 as Managing Director of the IMF.

Financial Position

The Chancellor said that Britain's financial position had been transformed in the last nine months. Britain had established the financial conditions for a steady improvement in its economic performance. The most visible sign of the progress Britain had made lay in the strength of sterling and the increase in Britain's official currency reserves, which now stood at a record level. The Government had recognised that some of these inflows were of a short-term nature and could not be relied on as permanent. However, they demonstrated a revival of confidence in Britain and showed that others believed that Britain was pursuing the right policies to deal with its major economic problems.

Rate of Inflation

The Government had given overriding importance to reducing Britain's rate of inflation, Mr Healey said. It believed that this was a necessary condition for achieving its other economic and social objectives. The progress Britain had made in 1977 in this and other fields (see p 389) owed much to the decisions the Government had taken long before its negotiations with the IMF last winter. By the summer of 1975 it had already begun to curb the growth of public expenditure and the cash limits which had been imposed in 1976 on the bulk of public spending had been strikingly successful in ensuring that the Government's decisions in this field were observed. The public sector borrowing requirement had been substantially reduced in 1976, both in cash terms and as a proportion of gross national product. Britain had maintained strict control of its monetary aggregates over the whole three and a half years since the increase in oil prices at the beginning of 1974.

Following the success of the first stage of the voluntary incomes policy, which had helped to cut Britain's rate of inflation by half, the second stage, which began in August 1976, produced an increase in earnings of under 9 per cent – only half as much as the increase in prices over the same period. This had imposed a great strain on Britain's trade unions, Mr Healey said, but the Government had been able to reduce its effect on living standards substantially by reductions in income tax. Although Britain's trade union movement found it impossible to accept a third year of incomes policy as fully structured as the previous two, it had agreed that the return to normal collective bargaining should be orderly, and the Government had already demonstrated its determination to secure the necessary moderation in pay increases.

Meanwhile, the Chancellor continued, Britain's inflation rate was now recovering from the malign effects of last year's deterioration of sterling and the rise in world commodity prices and the effect of the drought in Europe. The underlying rate of price increases had fallen in 1977 to about 1 per cent a month and in the third quarter was likely to be less. Provided no new external factor arose, Britain had a good chance of reducing its rate of inflation to single figures in the early part of 1978. However, as the Prime Minister had told the Trades Union Congress in Brighton on 6 September, an inflation rate still close to 10 per cent was not grounds for complacency. The Government would not be satisfied until the rate was reduced to the sort of levels which had been familiar in the early 1960s. However, modest satisfaction could be taken in the progress which had already been made and the Government was determined to protect and extend the gains it had made in combating inflation, now that it could take advantage of its success to expand activity.

Balance of Payments

Britain had also made very substantial progress in the last 12 months in its balance of payments and this too owed much to the measures the Government

had taken to hold both private and public spending over the last three years, the Chancellor said. Britain's current account was now moving into surplus and the increasing flow of North Sea oil enabled Britain to look forward to a healthy balance of trade throughout the 1980s – although much of the surplus would be needed to redeem a large accumulation of overseas debt. Britain had already seen a significant increase in its exports of goods other than oil and since the second half of 1976 had moved an additional 1 per cent of gross domestic product into the balance of payments.

World Confidence

Mr Healey said that although much of the progress Britain had made in the last 12 months had its roots in policies adopted long before the discussions with the IMF, there was no doubt that the measures which the Government had taken in December 1976 had made a decisive contribution. They had tipped the balance of world confidence, not least because their endorsement by the IMF had established Britain's international credit on a firm foundation and had enabled it to reach agreement on the handling of the sterling balances. The consequential stabilisation of Britain's exchange rate at a level somewhat higher than a year ago had helped to bring inflation under control and had further strengthened the financial basis of the economy. Britain was thus able to survey its prospects and those of the world as a whole somewhat more objectively and to begin considering, as Mr Witteveen had suggested, whether it could make some modest contribution of its own towards ensuring that the world economic recovery did not evaporate.

The International Economic Problem

Britain's economic prospects, like those of every other country represented in the IMF, depended critically on restoring the world economy to health. The Chancellor, therefore, went on to talk about each of the three dimensions of the international economic problem – the maintenance of adequate demand, the underlying problems of structure, and the financing of the deficits which remained inevitable while the problems of demand and structure were being dealt with.

Aggregate International Demand

The Chancellor agreed with Mr Witteveen that the bias towards restriction in aggregate demand policies followed in recent years, or as the Managing Director had put it, the belief that Governments should not 'shade policy risks on the side of growth' had led to undershooting national targets; there had been a failure to achieve a rate of economic growth sufficient to permit a gradual reduction of unemployment. The continuing rise in unemployment in nearly all of the industrial countries had brought a rising danger of protectionism, which if it was not checked would bring a world crisis like that of the 1930s, with particularly disastrous consequences for the developing countries. That was why it was important to bring multi-lateral trade negotiations to an early and successful conclusion.

Yet, unless there was now a significant increase in aggregate international demand, he continued, unemployment would continue to rise and the pressure towards protectionism might become irresistible. The stronger countries which still had large surpluses had as powerful an interest as they had a duty to take the lead – not only because they were particularly dependent upon free trade, but also because the disappointments of the last year or two had increased uncertainty in their own countries and discouraged investment. Quoting the Managing Director, Mr Healey said that this implied the need to 'adjust policies in time to avoid cumulative deviations from an equilibrium path over the medium term'.

The United States had made a major contribution towards maintaining world activity by successful growth in 1977 in line with the London Summit target (see pp 226-8). It had accepted and was still accepting a substantial current account deficit. Part of this had been due to increased oil imports, some growth of which had been inevitable in the short term as economic activity increased. But a large part of the deficit had been and would be attributable to more non-oil imports, to the benefit of other oil-consuming countries. The United States needed parallel action by other major economies to assist it in keeping up this contribution and Mr Healey said he welcomed the action which the Japanese and Federal German Governments had now taken, for this as well as other reasons. Mr Healey regretted only that these measures seemed unlikely to do much for growth in 1977.

He said that it might well be true that in some countries fiscal measures were less effective in increasing demand than they used to be – that a higher proportion of tax cuts were saved than in the past, or that spending authorities failed to make full use of increased authorisations. However, this was surely an argument for increasing the scale of fiscal measures above what used to be regarded as necessary to produce a given increase in demand rather than doing less. On the other hand, when considering the need for an expansion in aggregate demand, Mr Healey said that he wondered whether in the past there had not been too much concentration on the growth of gross domestic product as its main indicator and too little attention paid to the sources of that growth. There was no net advantage to aggregate demand in the world economy if, for example, the stronger surplus economies relied on exports to achieve their target rate of growth. When the oil-consuming countries as a whole were dealing with the need to prevent the surplus of the oil-producing countries from imposing unnecessary devaluation on the world, a large and persistent surplus in the major oil-consuming countries, when it was made at the expense of other oil-consuming countries, made the situation worse, not better. It was an increase in the domestic demand of the surplus countries which was needed, not an increase in their exports.

Structural Problems

At this point the problems of international demand management became inseparable from some of the structural problems which now complicated economic management. The Managing Director had rightly referred to the fact that 'many industrial countries need to develop an active policy for

structural reorientation and rationalisation of manufacturing industries: this should be done with a clear objective of providing more room for imports from developing countries and helping to bring about a favourable climate for the international division of labour in a free trade system'. Mr Healey said that he endorsed this view in the strongest possible terms. Indeed, if this structural rationalisation between the industrial and the developing countries could be achieved the need for a resources transfer through the international institutions would be that much less.

However, there was also a need for a structural rationalisation among the industrial surplus countries themselves so as to increase their propensity to import and make their growth less dependent on a large export surplus. This was perhaps an uncomfortable thought for the countries concerned, yet there could be a far more uncomfortable reality if the inability of some big oil-consuming countries to take their fair share of the global deficit led to the disruption of exchange rates or to growing unemployment in the oil-consuming countries.

There was one structural problem in the world economy of which everyone had been conscious since 1974 and only now was a real consensus of how to deal with it being reached. This, the Chancellor said, was the inevitable deficit for the rest of the world arising from the fact that the oil-producing countries were together likely for some time to earn some $30,000 million to $40,000 million a year more than they were able to spend on imports.

Mr Healey said he doubted whether there were many who still held the view so often heard in 1974 that market forces on their own would make this problem disappear. The international community was at last beginning to accept the need for further action to enable it to live for some time yet with this oil-generated structure of surpluses and deficits in international payments.

The Chancellor said he thought that there was more realism about the sort of action needed. Three years ago the annual report of the IMF had stressed that in this situation the countries with a strong payments position should not expand their economies too much. It had argued that the burden of the adjustment should fall on the weaker countries and they were urged to solve the problem by cutting back domestic demand. The message from the IMF was now rightly a different one – that stronger countries must lead the way back to full employment and must be joined by the less strong as they got their inflation rates under control. Mr Healey said he hoped that no-one still argued that the problem of the oil surpluses must be solved through an adjustment of the deficit countries alone, for there was no tolerable level of economic activity at which the world's demands for energy could be reduced to the point where the revenue of the oil-producing countries equalled their ability to absorb imports.

There was a structural answer to this problem, in more intensive action by the oil-consuming countries both to reduce the demand for imported oil and to develop domestic sources of energy. Britain could claim to have made a useful contribution here. It had incurred substantial costs in order to develop North Sea oil and was now reaping its reward. Output of North Sea oil in 1977 would already be worth about $5,000 million. It would rise to $10,000 million by 1980. Without it the Organisation of Petroleum Exporting Countries' surpluses would be that much higher or world activity might have to be that much less. In this sense North Sea oil was helping everyone. Mr Healey said that he hoped that Alaskan oil would soon be making a similar contribution and that the United States Government would be successful in its wide-ranging programme for reducing America's demand for imported oil. All would benefit from that success. These, Mr Healey said, were the main structural problems affecting the international economic scene. It would not be easy to correct them or indeed to deal with all the domestic structural problems which were now affecting economic performance in the industrial world. But until these structural problems were dealt with the world economy would be able to meet the economic needs of its peoples only if the deficit countries were enabled to finance the deficits without undue restriction of activity and demand. It was in this field that the IMF and the World Bank had the most critical role.

Financing of Deficits

The commercial banking system had rightly played the main role in financing these deficits until now, and had shown immense resourcefulness and flexibility in doing so. However, there were obvious risks in excessive and continuing dependence upon lending by commercial banks, and in any case it was only a relatively small number of countries who could count on having this kind of finance available to them on an adequate scale. The poor countries could rarely meet their needs in this way. That, Mr Healey said, was why he hoped that the supplementary financing facility would soon be in operation and he welcomed in particular the substantial contribution made to it by the oil-surplus countries. However, a substantial increase in IMF quotas was also needed to provide a permanent increase in fund resources. The Commonwealth Heads of Government had already called for an increase of at least 50 per cent (see p 261). Even new resources of official financing on this scale would be no more than modest in relation to the needs, the Chancellor said. The Witteveen facility (see p 192) would provide some $10,000 million spread out over as much as five years.

Since the IMF could call upon only a proportion of finances provided by its members at any one time, a 50 per cent increase in quotas equivalent to about $23,000 million would in effect provide only a few thousand million dollars extra a year. This had to be set against aggregate oil surpluses running to several tens of thousands of million dollars a year.

Mr Healey said that some of his colleagues were concerned about the conditions attached to IMF drawings. There might be advantage in further discussion on this question. The Chancellor's view was that the conditionality must be flexible and realistically related to the problems of member countries and that in present world circmunstaces it was very important that the time-scale of adjustment should be realistic. It was no good increasing the IMF's resources if those who needed them most were unable to accept the conditions for their use.

Growth Targets

The increase in the IMF's resources was certainly not excessive in relation to the deficits which were the counterpart of the Organisation of Petroleum Exporting Countries' surpluses. If these deficits were increased by a further $10,000 million a year or so through the large current account of surpluses of Japan and to a lesser extent of the Federal Republic of Germany, the problem could prove insurmountable. That was why it was so important that they should achieve their promised growth targets by increases in their domestic demand from which the rest of the world could benefit rather than from increases in exports which simply compounded the problems of the rest of the world. The stark fact was that unless these countries could reduce their surpluses or at least play the main role in financing the deficits which reflected them, the necessary structural changes in their economies would be imposed by external forces because their customers would be compelled further to deflate or restrict their imports. No one wanted that.

World Bank

Even if the necessary expansion of world demand were achieved, if progress on the structural problems were made, and if secure financing of the deficits inevitable during the period of adjustment were arranged, economic progress in the developing countries might still be incapable of meeting the basic human needs of their peoples. This problem required special action, which was not limited to that recently agreed at the Conference on International Economic Co-operation (see pp 228-9). Mr Healey said he hoped that everyone would agree to support an early general increase in the capital resources of the World Bank, of a size which would permit a real increase in the bank's lending programmes for several years.

The Chancellor said he thought a doubling of the capital of the World Bank should be considered and that the negotiations should be concluded by the end of June 1978. It was also very necessary that steps should be taken to make the Fifth Replenishment of the International Development Association fully operational as soon as possible. No one could believe that these were extravagant proposals in relation to the problems Mr Macnamara had earlier described to the meeting.

If there was one lesson to be learned from the painful experiences of the last few years, Mr Healey said, it was that the world economy was indivisible. No one could prosper for long if others were in misery. He said that he believed that this lesson was being learned and if so there would be far better prospects at the next annual meeting than at the present one.

Commonwealth Finance Ministers' Meeting

The 1977 meeting of Commonwealth Finance Ministers was held in Barbados on 21 and 22 September under the chairmanship of the Rt Hon J. M. G. M. Adams, Prime Monister of Barbados. Following the meeting a 25-point communiqué was issued dealing with the international economic situation, development assistance, international monetary reform, and institutional co-operation in the Commonwealth.

International Economic Situation

Ministers expressed concern that the rate of recovery of the world economy was unsatisfactory and that lagging growth, high unemployment, inflation and balance of payments deficits continued to be of serious concern. They warned that the non-oil developing countries did not have the capacity to finance the large deficits which were anticipated. What was required was a willingness to share equitably in the deficits. A major immediate contribution should be made by a deliberate programme of economic expansion directed towards expanding international trade by industrialised and surplus countries, coupled with a transfer of resources in real terms to developing countries, as a basis for sustained stimulus to economic activity both in the developed and developing countries. A further contribution should be made by increasing the flow of funds to international institutions. These steps would allow time for the adjustment processes now underway to yield results. This process needed to be supported by major improvements in the terms of trade for commodities, through trade liberalisation and by improved access to world markets, particularly for manufactured goods with special emphasis on the position of developing countries.

Ministers noted that rates of inflation were still too high in a number of countries and emphasised the importance to sustained international recovery of appropriate stabilisation policies in these countries. They expressed their concern that many developing countries continued to experience economic stagnation or even declining living standards, balance of payments problems and high and rising debt service burdens, making it increasingly difficult for them to achieve structural transformation. Noting the increased use of protectionist measures in a number of countries, ministers warned against the dangers of protectionism to rich and poor alike. They called upon all countries to refrain from attempting to solve their economic problems by import restrictions. In the context of increasing economic interdependence of all countries, they recognised that the excess capacity existing in many industrialised countries provided both a basis and an opportunity for expansion of activity in developing countries; this in turn would contribute materially to sustained increases in incomes in the developed countries as well.

Transfer of Resources

Ministers emphasised that the work of the Conference on International Economic Co-operation (CIEC: see pp 228-9) needed to be followed by action, at both national and international levels, to promote effective international co-operation and the transfer of real resources to developing countries. They agreed that the primary goal should be to ensure

that all countries were able to satisfy the basic needs of their people and participate effectively in decision-making at all levels. In discussing the required co-operative action, ministers were guided by the decisions of the Commonwealth Heads of Government (see p 260), and took into account the specific recommendations of the Final Report of the Commonwealth Group of Experts (see p 262). They agreed to continue to use the recommendations of the report as a basis for constructive action. They requested the Secretary-General of the Commonwealth Secretariat to monitor the progress being made in the appropriate international organisations, and to keep Commonwealth Governments informed.

Recognising the need for international liquidity to facilitate world trade without adding to inflation, ministers noted that most of the increase in international liquidity in the past year had resulted from the activities of the commercial banking sector to which many developing countries did not have access. They agreed that in this situation, international financial institutions needed to be provided with resources and with sufficiently flexible procedures to ensure an equitable distribution of additions to international liquidity. Ministers agreed to work towards an international programme of action designed to restructure their economies and accelerate the rate of growth in countries as appropriate.

World Bank Group

It was agreed to support an early general increase in the World Bank's capital in an amount which would permit a real increase for several years in the Bank's lending programmes and enable the Bank to expand its activities. The view was expressed that the increase required would be of the order of $40,000 million and it was urged that the negotiations be concluded not later than 30 June 1978.

Noting the importance of traditional and new sources of energy in energy-deficient countries, ministers called upon the World Bank and other financial institutions, without adversely affecting support for other priority sectors, to accelerate a programme in the energy sector with special emphasis on the needs of energy-deficient countries. They recommended that the Bank should give attention to encouraging capital market flows to developing countries and special support for the industrially least advanced countries. Further, they urged the greater use of sector loans and a higher proportion and a wider geographical distribution of programme lending by the Bank Group; and that in such lending the Bank should be guided only by its own criteria and policies. Ministers also emphasised the need for increasing the proportion of local costs borne by the Bank in total project financing.

Emphasising the importance of the International Development Association (IDA) ministers expressed the hope that procedures necessary to maintain an uninterrupted flow of IDA lending would be arranged as soon as possible and that steps to make IDA's Fifth Replenishment fully operational would be agreed at an early date. They recommended that negotiations be conducted expeditiously to provide for increases in real terms and for a more reliable mechanism for securing funds for IDA. They also noted the need for a review of the criteria used in the allocation of funds by multilateral institutions to give due consideration to other factors besides *per capita* income. The developed Commonwealth countries reiterated their determination to attain the target of 0·7 per cent of gross national product for Official Development Assistance as soon as possible and other developed countries were urged to do the same.

IMF and Monetary Reform

Ministers expressed satisfaction that the arrangements of the International Monetary Fund (IMF) Supplementary Facility (see pp 192-3) had been completed, but were concerned that the conditions attached to drawings could reduce the effectiveness and use of the facility, particularly for non-oil developing countries. They urged that consideration be given to subsidisation of interest charges to developing countries, recalled that Heads of Government (see pp 260-1) had recommended that early consideration be given to a general increase of at least 50 per cent in quotas at the Seventh Quota Review of the IMF, and expressed the hope that progress would soon be made in this matter. In any such review they agreed that the voice of the developing countries in the management of the IMF and the World Bank should be strengthened.

Concern was expressed about some aspects of conditionality and ministers invited the IMF to review the conditionality associated with the use of its facilities, which should be flexible and responsive to economic, social and political realities. They urged early completion of the IMF study on a new allocation of special drawing rights (SDRs) and consideration of a substantial allocation of SDRs. They requested the Development Committee to consider the further enlargement and liberalisation of the Compensatory Financing Facility, taking into account the proposals made by the Commonwealth Experts' Group (see p 262) and others. They agreed that such improvement would complement price stabilisation measures.

Ministers requested that the Development Committee give priority to a study of the ways in which the World Bank and the IMF could act in putting in place effective institutional arrangements for assisting more adequately the efforts of the non-oil developing countries and primary producers in making structural adjustments to payments problems, which had been aggravated by recent increases in the price of oil and other essential imports. It was noted that the Commonwealth Experts' Group had suggested certain interim measures to accelerate the progress of monetary reform and to make SDRs the principal reserve asset in the monetary system. The Interim Committee should be requested to examine how these recommendations could be speedily implemented.

Small Island Economies

Noting the fragile nature of small island economies, ministers stressed that *per capita* income was not necessarily a reliable criterion for the quantity and quality of assistance needed by these countries. They urged the international community to adopt a more flexible and realistic approach to their requirements, which should be at least parallel to policies

now being considered in favour of the least developed and landlocked countries.

Commonwealth Functional Co-operation

The continuing growth in the activities and resources of the Commonwealth Fund for Technical Co-operation, as well as its record of cost effectiveness, speed and responsivenesss, was welcomed by ministers. They noted that the funds' planned expenditure was £11 million in the current financial year and they emphasised the need to keep pace with the expanding requirements of Commonwealth Governments. They called for a positive approach by all members to the provision of resources and were encouraged by the increased pledges by a number of developed and developing countries to the fund. They noted that the Commonwealth Fund for Mozambique, launched in 1976 with an initial target of £1 million, had attracted contributions from 18 Commonwealth countries and had initiated technical assistance and training projects costing £300,000 during its first year in operation.

Ministers noted with approval that the Secretariat was giving particular attention to the needs of small island economies and to programmes for regional and sub-regional co-operation among them. They also noted the valuable contribution being made in the fields of foreign investment, capital markets and industrial development. They requested that further work in this area should include a comprehensive study of measures to assist the establishment of adequate facilities for financing and refinancing of industrial exports from developing Commonwealth countries. It was agreed that a Commonwealth Association of Tax Administrators should be established as an addition to the existing network for Commonwealth Functional Co-operation.

Commonwealth Development Finance Company

ANNUAL REPORT

The work of the Commonwealth Development Finance Company (CDFC) in 1976-77, the company's twenty-fourth year of operation, is reviewed in its annual report[1] published in August. During the year loan repayments to the CDFC and realisation of equities amounted to approximately £7·6 million while disbursements totalled some £4·6 million. This net flow of investment funds for the year reflected the consolidation of its investments which the CDFC has been pursuing since the first effects of the world economic recession began to become apparent (see pp 358-9, 1976). The total of the group's development investments at 31 March 1977, after deducting provision against losses totalling £3·45 million, was £32·1 million.

[1]Commonwealth Development Finance Company Ltd, 1977. Available free from CDFC, London.

The CDFC is a private enterprise institution. Established in 1953 and based in London, its aim is to support commercial enterprise overseas, which will benefit local economies by providing finance in the form of share capital and loans. Although it operates mainly in Commonwealth countries, the company's activities are not confined to the Commonwealth. Its shares are held by a number of industrial, shipping, mining and banking companies with extensive interests in the Commonwealth and elsewhere overseas, as well as by the Bank of England and certain other Commonwealth and overseas central banks. The company is financed by an issued share capital of £7·329 million (14·59 million 'A' Ordinary shares of £1 each, 10p paid, and 11·74 million 'B' Ordinary shares of £1 each, 50p paid) and by extensive borrowings. It has issued debentures to the value of over £11·5 million.

The CDFC has the following subsidiaries (excluding industrial subsidiaries): CDFC Australia Ltd (which controls two financial subsidiaries); CDFC (Ceylon) Ltd; CDFC Holdings Ltd in Canada; CDFC (Malaysia) Ltd; CDFC New Guinea Pty Ltd; ComRoy Ltd in Norfolk Island; Development Finance International Ltd in Bermuda; and CDFC International Ltd in London.

Results and Operations

The report gives details of investments and commitments by the CDFC and its subsidiaries in 40 countries including Britain. At 31 March 1977 there were investments in 20 categories of enterprise, ranging from building services, engineering, forestry, agriculture and processing to hotels, mining, public utilities and textiles. The largest sector of CDFC investment is property (£7·45 million) followed by forestry, agriculture and food processing (£5·5 million), engineering (£4·9 million), hotels and tourism (£3·8 million) and building services (£1·97 million). Geographically, 28·4 per cent by value of all investments were in Asia, 21·9 per cent in Australasia, 29·6 per cent in the Caribbean, Brazil and Canada, 13 per cent in Africa and 7·1 per cent in Europe including Britain. New commitments made by the group during the year totalled 3·44 million, in 11 countries.

In its trading operations the CDFC made a loss (after tax) of £363,431 – an improvement of some £521,000 on the revised figure for 1975-76.

National Income and Expenditure

The latest national income statistics show that Britain's gross income rose by 17·3 per cent in 1976 to £110,000 million, mostly due to increases in pay and prices. Real output of goods and services rose by some 2 per cent – in contrast to the fall of the previous two years – as did real national disposable income. Real personal disposable income is estimated to have fallen by about 0·5 per cent but the volume of goods and services bought by consumers increased by about 0·5 per cent.

Table 1
Expenditure: Percentage Changes 1966-76

	Current Prices				Constant Prices			
	1966 to 1973*	1973 to 1974	1974 to 1975	1975 to 1976	1966 to 1973*	1973 to 1974	1974 to 1975	1975 to 1976
Consumers' expenditure	9·3	15·0	22·3	15·9	3·0	–1·2	–1·0	0·4
General government final consumption†	10·7	25·0	37·8	16·8	2·3	2·1	5·2	3·2
Gross domestic fixed capital formation	10·7	20·0	21·9	13·4	3·4	0·3	–2·2	–3·4
Exports of goods and services	13·3	33·5	17·2	30·0	6·9	6·1	–3·3	7·4
Total final expenditure	10·5	20·2	20·9	20·0	3·8	–0·1	–2·6	2·9
Imports of goods and services	14·8	44·5	5·8	26·4	7·1	2·0	–6·8	3·8
Expenditure GDP at factor cost	9·8	16·0	26·4	17·2	3·0	–0·5	–1·7	2·7

*Annual average.

†Current expenditure on goods and services plus non-trading capital consumption.

Total general government[1] expenditure increased by only about 14 per cent between 1975 and 1976, compared with 31 per cent between 1974 and 1975. Since 1966 the share of general government expenditure accounted for by military defence has declined from 15 to 10·5 per cent.

The National Income and Expenditure 'Blue Book'[2] containing statistics of national income, expenditure and output for the years 1966 to 1976 with main summary tables going back to 1955, was published on 9 September.

Prepared annually by the Central Statistical Office, the Blue Book is the standard work of reference for detailed information about Britain's national accounts providing data about the main aspects of the country's economic activity such as production, consumption, incomes, saving, investment and financing.

Gross National Product

In 1976 Britain's gross national product (the total income of residents) was £110,000 million. The average per head of population was about £1,970 compared with £1,680 in 1975.

Gross domestic product (GDP – the total value of goods and services produced in Britain) increased by about 17 per cent between 1975 and 1976. Most of this was due to increased pay and prices, with the real increase in GDP being only about 2 per cent (measured by the average of income, expenditure and output data). This increase, following two years of decline, brought real product back to around the 1973 level. Between 1966 and 1976 the average annual rate of increase was 2 per cent.

Between 1975 and 1976 gross national disposable income at constant market prices (the volume of goods and services available to the nation from its disposable income[1]) also increased by about 2 per cent; this reflects the movements in real product and the minimal change in the terms of trade that took place in 1976 despite substantial depreciation of the pound.

However ,in contrast to real product, real national disposable income in 1976 was still about 2·5 per cent below the 1973 level, reflecting still the massive deterioration in the terms of trade between 1973 and 1974 following the substantial rises in oil and other commodity prices.

Expenditure

Percentage changes in the main components of expenditure are shown in Table 1 at both current and constant prices. The table shows that each category has risen more rapidly in each of the three most recent years than in the earlier period, reflecting the substantial effects of the rapid inflation experienced in the later period. The rapid rise in imports at current prices in 1974 reflects higher oil and commodity prices in that year, while the further substantial increase in 1976 was largely the result of the falling value of the sterling exchange rate.

In real terms the small falls in expenditure-based GDP in both 1974 and 1975 were only just recouped by the rise in 1976. General government consumption of goods and services was the only category of expenditure to rise in each of the three years. Fixed investment, after recording a slight increase in 1974, fell in each of the following two years to 5 per cent below the 1973 level.

Factor Incomes

Total domestic income (before providing for depreciation or stock appreciation) rose by 17 per cent in 1976 following a rise of 24 per cent in 1975. These rates of increase were substantially above those recorded in earlier years. The rise in income

[1]Central and local government.

[2]*National Income and Expenditure 1966-76*. HMSO, £3·95. ISBN 0 11 630168 6.

[1]Gross national disposable income at constant market prices is equivalent to gross domestic product at constant market prices adjusted for the effects of changes in the terms of trade, for net property income from abroad and for net current transfers abroad.

from employment, the major component, was 14·5 per cent, compared with a record 30 per cent in 1975. This reduction owed much to the pay policy introduced in August 1975; but the rate of increase was still high compared with earlier experience. Gross trading profits of companies before deducting stock appreciation rose strongly by about 29 per cent in 1976, following the small fall recorded in 1975. Net of stock appreciation, company profits rose by 10 per cent and 29 per cent in 1975 and 1976 respectively – recovering ground lost by the sharp fall of 25 per cent in 1974. The gross trading surplus of public corporations, net of stock appreciation, increased by 49 per cent in 1976; and there were increases of about 17 per cent in rent and 14·5 per cent in self-employment income.

The share of profits in total domestic income (both adjusted for stock appreciation) rose to 6·5 per cent in 1976 from 6 per cent in 1975. This is still well below the average share of 11 per cent over the period 1966-74. The share of employment income declined slightly in 1976 to 73 per cent from about 74 per cent in 1975 when the figure was the highest ever, comparing with an average of 69 per cent over the period 1966-74.

Output at Constant Prices

The output measure of gross domestic product rose by only 1 per cent in 1976, which was insufficient to make up for the 2 per cent fall experienced in 1975. Manufacturing output showed a similar small rise of 1 per cent, but this still left the 1976 level about 6 per cent below that of 1974 – a year adversely affected by the 'three-day week' (see p 16, 1974). The decline in the output of the construction industry which started in 1973 continued into 1976 with a further fall of 4 per cent, leaving the 1976 level about 17 per cent below the post-war peak of 1973. Apart from a sharp fall of about 8 per cent in agricultural output – reflecting bad harvests after the summer drought – all other industries showed modest increases.

Investment

The volume of fixed investment (gross domestic fixed capital formation) fell by 3·5 per cent in 1976 following a fall of 2 per cent the previous year. Both private sector and general government fixed investment fell, by 3·5 and 6·5 per cent respectively, while public corporations showed a slight increase of about 1 per cent.

All industry groups – except mining and quarrying, which includes North Sea oil and gas operations – showed a fall in fixed investment in volume terms. The volume of manufacturing investment fell by about 5 per cent following the 14 per cent drop in 1975. Investment in dwellings fell back by about 1 per cent after recovering in 1975 by nearly 7 per cent. In mining and quarrying, fixed investment grew by about 13 per cent in 1976, reflecting the continuing development in North Sea oil and gas production. The cumulative volume increase in the three years since 1973 is about 440 per cent.

The estimated net capital stock of reproducible fixed assets, in which assets are valued at current replacement cost and after the deduction of capital consumption, was about £393,000 million in 1976 compared with £328,000 million in 1975.

Personal Sector

Incomes and Savings

Table 2 shows the percentage increases in value in the components of personal income for the last three years and the average increases over the period 1966-73. Total personal incomes rose about 16 per cent in 1976, a marked deceleration from the rates of around 21 and 28 per cent experienced in the preceding two years, but still significantly above the longer-term average. Wages and salaries showed an even faster deceleration in 1976, rising only 13 per cent compared with nearly 30 per cent in 1975, and reflecting the constraining influence of the pay policy which started in the autumn of that year. The slowing down of the rate of increase of rent,

Table 2

Personal Incomes: Percentage Changes 1966-76

	1966 to 1973*	1973 to 1974	1974 to 1975	1975 to 1976
Income from employment	9·7	21·0	30·2	14·5
within which, wages and salaries	9·3	20·6	29·3	13·3
Income from self-employment	14·1	14·7	15·9	14·5
Rent, dividends and net interest	7·1	21·8	20·4	15·3
Current grants from general government	12·4	22·6	29·6	25·7
Total personal income	10·1	20·6	27·7	15·8
Taxes on income (payments)	11·2	34·0	44·7	16·6
National Insurance etc contributions	11·8	27·0	36·7	23·3
Personal disposable income	9·8	18·1	24·1	15·0
Consumers' expenditure	9·3	15·0	22·3	15·9
Real personal disposable income	3·4	1·5	0·4	–0·4

*Annual average.

Table 3

Consumers' Expenditure: Percentage Distribution 1966 and 1976

	Current Prices		Constant Prices	
	1966	1976	1966	1976
Food* (household expenditure)	21·8	19·1	21·0	18·2
Alcoholic drink	6·7	8·0	6·6	9·0
Tobacco	6·2	4·2	5·9	4·8
Housing	11·8	14·8	12·3	13·0
Fuel and light	4·8	4·9	4·7	4·5
Clothing and footwear	8·9	8·1	8·3	9·0
Purchase and running cost of motor vehicles	7·4	9·2	7·4	9·1
Household durables	4·3	4·6	4·3	5·5
Other goods	9·5	9·9	9·9	10·6
Other services	18·6	17·2	19·6	16·3
Total	100·0	100·0	100·0	100·0

*Excluding meals in restaurants, hotels, etc.

dividends and net interest was more marked in 1976, at about 15 per cent against 20 per cent in the previous year. The effects of continuing restraint on dividend payments were partially offset by the rapid increase in interest rates between these two years. Current grants from general government showed a marked rise in 1976 of about 26 per cent, only a little below the 1975 figure, and above that of 1974. This was by far the fastest growing part of personal income in 1976. Its growth was mainly influenced by rising unemployment and the effects of inflation on index-linked social security and pension payments.

Payment of direct taxes by the personal sector increased by about 17 per cent in 1976. This increase was substantially below the 45 per cent recorded in 1975, partly because of the raising of tax thresholds in the April 1976 Budget. However, it was still above the growth of wages and salaries on which the majority of taxes are levied; it is notable that tax payments have increased more quickly than wages and salaries and receipts of rent, dividends and net interest in each of the last three years as well as on average between 1966-73, reflecting the increased reliance on direct taxation as a source of government income, and the effects of fiscal drag (whereby, under a 'progressive' tax system, tax rates applicable to individuals rise with their level of income). National insurance contributions rose by around 23 per cent in 1976, faster than tax payments and considerably more than wages and salaries. This was due to the raising from 5 to 5·5 per cent of the rate of contribution in April 1976 and a rise in the upper income limit to which that rate applied. Since both taxes and contributions increased more quickly than total personal income in 1976, personal disposable income[1] grew rather less at 15 per cent. This rise was not sufficient to offset the increased prices experienced in 1976 so that real personal disposable income fell slightly – back to the level of 1974.

Consumers' expenditure increased by about 16 per cent in value terms in 1976, rather faster than disposable income, so that the savings ratio (savings as a percentage of personal disposable income) declined to 14·6 per cent from the record level of 15·3 per cent reached in 1975. The latest savings ratio is still extremely high by historical standards. The personal sector's current saving in money terms rose by over £1,000 million, of which about a fifth was absorbed by investment in dwellings, and there was an increase of about £650 million in the sector's net acquisition of financial assets from the extremely high 1975 figure of about £7,500 million.

Expenditure

Table 3 compares the pattern of consumers' expenditure in both value and volume terms for the years 1966 and 1976. As would be expected over a period of generally rising incomes, spending on food has been a declining proportion of total expenditure in both value and volume terms. In contrast, spending on alcohol has increased proportionately over this period, and a comparison of the current and constant price figures suggests that this is partly in response to a falling relative price for alcoholic drink. Although spending on housing hardly increased as a proportion of total expenditure over the comparison period in volume terms, there was a sharp increase in value terms which indicates a faster-than-average rate of price increases for this category. There has been a noticeable decline in the share of tobacco in volume terms, presumably the result of the great publicity given to the adverse effects on health of smoking. A comparison with the current price figures suggests that tobacco has become significantly cheaper in relative terms. The increased consumption of household durables has been sustained by falling relative prices so that in value terms there has been little change in the proportion of all expenditure devoted to this item. Similarly buying and running motor vehicles has become a more important – but not more expensive – item of consumer's expenditure over this period. Within this last category, the consumption of petrol and oil rose quite substantially in 1976 following the restraint in the use of fuel during 1974 and 1975.

[1]Personal disposable income equals total personal income less British taxes on income, national insurance, etc. contributions, net transfers abroad and taxes paid abroad.

Table 4

General Government Expenditure: Percentage Shares 1966-76

	1966	1971	1976
Main functional categories			
Military defence	15·2	11·9	10·6
Transport and communication	2·6	2·4	2·0
Other industry and trade	5·5	7·9	4·7
Housing	6·8	5·6	8·9
Education	11·8	12·5	12·5
National health service	9·5	9·7	10·6
Social security benefits	17·8	18·6	19·2
Main economic categories			
Consumption of goods and services	45·0	44·0	45·4
Gross domestic fixed capital formation	11·6	11·0	9·2
Current grants to personal sector	19·6	20·6	21·9
Subsidies	3·9	4·0	5·9

Companies

Total company income rose strongly by about 26 per cent in 1976 following a slight fall in 1975. Gross trading profits showed a rise of 29 per cent, both before and after deducting stock appreciation. This compares with a fall of 3 per cent in 1975 before, and a rise of 10 per cent after deducting stock appreciation. Rent and non-trading income rose by 20 per cent and income from abroad (net of taxes paid abroad) rose by 32 per cent, helped by the depreciation in the sterling exchange rate. Taxes paid abroad on income received from abroad rose 14 per cent after falling the previous year by a similar amount from the high 1974 figure – which itself reflected the greatly increased taxes paid to oil-producing states. Total payments of dividends and interest rose about 11 per cent in 1976, with dividends on ordinary shares being the fastest growing component at 18 per cent. Taxes on income levied in the United Kingdom rose by about 18 per cent, following little change the previous year and a substantial drop between 1973 and 1974 after the introduction of stock relief (see p 428, 1974).

The balance of company saving – before deducting stock appreciation and depreciation – was up nearly £4,000 million in 1976. After providing for these items, savings were about £1,500 million compared with only £176 million in 1975.

Public Corporations

The gross trading surpluses of public corporations rose by 45 per cent in 1976, following a 20 per cent rise the previous year. The transport and communications industry contributed the biggest rise, with their trading surpluses growing by over 50 per cent. The balance of current savings, before providing for depreciation and stock appreciation, increased by 72 per cent.

General Government

Total general government expenditure, excluding debt interest and non-trading capital consumption, increased by £5,713 million (about 12 per cent) in 1976, a considerably smaller increase than in 1975. Final consumption of goods and services increased by about 17 per cent, which in real terms was only 3 per cent. Table 4 shows for the years 1966, 1971 and 1976 the shares of total general government expenditure at current prices taken by the main functional and economic categories.

The most notable features are the marked decline in the proportion of total expenditure devoted to military defence and the steadily growing importance of social security benefits over the ten-year period. The latter is reflected in the growth of the item, 'current grants to the personal sector'. Fixed investment has declined as a proportion of total expenditure, while the proportion taken by subsidies has increased very quickly, although it remains a relatively small item.

Central Government

Central government receipts on current account increased by about 17 per cent in 1976. Taxes on income rose by about 13 per cent, compared with 32 per cent the previous year; this was due to slower growth of incomes under the pay policy and the rise in tax thresholds in the April 1976 budget (see p 204, 1976). National insurance contributions rose by about 22 per cent, reflecting the higher rate introduced in April 1976 and the raising of the income cut-off. Taxes on expenditure rose by about 19 per cent, similar to the previous year. Current expenditure rose about 20 per cent, and within this total consumption of goods and services increased by 19 per cent. Subsidies fell by 12 per cent, largely due to reductions in food subsidies and the virtual disappearance of compensation to public corporations for price restraint. Assistance to the coal industry was also greatly reduced. Debt interest payments increased substantially by 35 per cent, in line with higher prevailing interest rates. Current grants to local authorities rose by about 22 per cent, compared with 63 per cent in 1975. Current grants to the personal sector were up 25 per cent, partly reflecting the inflation-proofing of social security benefits and increased pension rates. The deficit on current account increased to £2,250 million following the sharp deterioration in 1975 when the account first moved into deficit.

Local Authorities

Total local authority receipts rose by 20 per cent in 1976, with receipts from rates up by 14 per cent. Consumption of goods and services increased by about 14 per cent, with spending on education – which accounts for nearly half of all expenditure – growing by only 10 per cent. The balance on current account increased considerably by 60 per cent to a surplus of more than £2,000 million.

Balance of Payments in 1976

The new balance of payments Pink Book,[1] which contains a detailed account of Britain's balance of payments with the rest of the world in each of the last 11 years, was published on 6 September. To give a clearer picture of the main constituents of the balance of payments, the presentation of the accounts has been reorganised to give a set of fairly self-contained sections, each with its own explanatory notes. Some new sections have been developed, of which one deals with the effect of private investment on the balance of payments; service items are shown for the first time at constant prices; and more detail is given of interest, profits and dividends. Revised figures (see also pp 113-17) for each of the main components of the balance of payments show the deficit on visible trade in 1976 to be £3,571 million, partially offset by a surplus on invisibles of £2,166 million to give a deficit on current account of £1,405 million. There are a number of other points of interest, which are set out briefly below. (For the improvement of the balance of payments in 1977, see p 373.)

Points of Interest

Although the deficit on visible trade worsened between 1975 and 1976, the constant price figures show that the volume of exports increased by 8 per cent while the volume of imports increased by only 6 per cent.

The net overseas earnings of the City of London reached £1,545 million in 1976, compared with £1,179 million in 1975. Net earnings from banking and insurance increased by £204 million and £147 million respectively. Earnings from commodity trading (brought together in the Pink Book for the first time) totalled over £200 million in each of the last two years.

Tourists and other visitors spent £1,628 million in Britain in 1976, nearly double the amount in 1974, representing an increase of 29 per cent at constant prices. Spending abroad by British tourists rose to £1,008 million, reflecting higher sterling prices abroad. Expenditure in Britain by overseas students and trainees also rose in 1976, totalling £235 million.

Earnings by the construction industry and construction consultants totalled £456 million in 1976, £173 million more than in 1975 and nearly four times higher than in 1972.

Net earnings from abroad by British shipping operators totalled £653 million in 1976, after allowing for charter and other fees, compared with £547 million in 1975. Net earnings in Britain by overseas shipping operators were £608 million – largely from the carriage of dry cargo – an increase of £125 million. Earnings from civil aviation amounted to £1,051 million in 1976, the surplus after deducting overseas expenses and payments to overseas airlines being £241 million, £125 million better than in 1975. The gross earnings on civil aviation represented an increase of 69 per cent (at constant prices) since 1970.

Payments for services associated with the United Kingdom Continental Shelf (offshore oil and gas operations) totalled £490 million in 1976, £60 million higher than in 1975.

The investment earnings of overseas branches, subsidiaries and associates of British companies (excluding oil companies) exceeded £2,000 million in 1976 – an increase over 1975 of nearly £500 million, while the earnings in Britain of foreign-owned companies (other than oil and insurance companies) exceeded £1,000 million in 1976. The net earnings of British banks on their borrowing and lending in overseas currencies exceeded £250 million, £100 million more than in 1975. The new section on 'Private investment – its financing and effect on the balance of payments' shows that the net effect of both current and capital account transactions associated with outward investment was favourable (to the extent of over £1,000 million) to the British balance of payments in each of the last four years. Inward investment also has a favourable impact on the balance of payments in those years, mainly owing to large inflows for exploration and development of the Continental Shelf oil industry. Britain's external assets and liabilities are estimated to have exceeded £40,000 million at the end of 1976. In the last five years, while external liabilities have more than doubled, with official liabilities increasing by over 150 per cent, external assets, have only increased by about three-quarters.

The net deficit on current account with the rest of the European Community was reduced slightly to £2,264 million in 1976. Of this, £2,104 million came from the deficit on trade in goods, while on the invisibles account, large general Government debits (including £540 million for military services in the Federal Republic of Germany, and a net payment of some £180 million to European Community funds) offset Britain's surplus on sea transport, civil aviation, travel, financial services and interest, profits and dividends.

[1] *United Kingdom Balance of Payments 1966-76.* HMSO, £2·95. ISBN 0 11 630170 8.

World Invisible Trade

The Committee on Invisible Exports' 1977 survey of world invisible trade[1] shows that

[1] *World Invisible Trade. August 1977.* Available from Committee on Invisible Exports, 7th Floor, The Stock Exchange, London EC2N 1HH. £2.

Britain maintained its position as second only to the United States in earnings from invisible trade in 1975. The survey provides detailed statistics of the invisible trade of 112 member countries of the International Monetary Fund in 1974, the latest year for which comprehensive figures are available; it also includes certain provisional figures for 1975.

The table shows Britain's share of world invisible receipts fell from 11·4 per cent in 1973 to 9·9 per cent in 1974, while its share of payments fell from 7·9 per cent to 6·9 per cent. There was a slight rise in its share of world receipts from travel. In terms of ranking, Britain remained at the top of the list for receipts from transport, and was second to the United States in investment income and other services.

From 1973 to 1974 Britain's invisible payments grew by 19 per cent, while receipts rose by only 14 per cent. Nevertheless, the absolute growth of receipts exceeded that of payments and there was a further rise in the credit balance to $5,278 million in 1974 (see also pp 113-15 and 287). The surplus on invisibles in 1974 covered over 44 per cent of the visible deficit of $13,816 million.

The Top 10 Invisible Earners 1973-75

($ *million*)	Total receipts				% of world total			
	1973*	1974*	1974†	1975†	1973*	1974*	1974†	1975†
United States	36,176	50,614	53,980	49,459	22·0	23·6	23·2	20·0
United Kingdom	18,705	21,320	21,922	22,782	11·4	9·9	9·4	9·2
Federal Republic of Germany	12,431	15,311	18,327	21,199	7·6	7·1	7·9	8·6
France	11,958	15,121	15,437	18,622	7·3	7·0	6·6	7·5
Japan	7,725	11,301	12,033	13,497	4·7	5·3	5·2	5·5
Italy	9,688	11,191	11,544	12,049	5·9	5·2	5·0	4·9
Netherlands	7,739	9,882	10,032	11,478	4·7	4·6	4·3	4·6
Belgium/Luxembourg	5,166	7,937	8,528	9,597	3·1	3·7	3·7	3·9
Switzerland	4,939	5,831	5,832	6,494	3·0	2·7	2·5	2·6
Spain	5,049	5,582	5,651	6,078	3·1	2·6	2·4	2·5

*Excluding Government receipts not included elsewhere.
†Including Government receipts not included elsewhere.

Government Encouragement for Small Firms

The value of the contribution made by small firms to the economy is recognised by the Government. Various steps have been taken to help and encourage small firms, including a new scheme to promote the use of computers in the management of production, and the Prime Minister has asked for a special study to be made of the problems facing small firms, to see what more can be done to help them.

It was announced on 21 September that the Prime Minister, Mr James Callaghan, had asked the Chancellor of the Duchy of Lancaster, Mr Harold Lever, to start work immediately on the special study. This will draw together the work that has been going on in various Whitehall departments, including the Treasury and the Departments of Trade and Industry, and examine the effectiveness of the steps taken by the Government over the past two years. The survey will thus enable the Government to reach early conclusions on any further measures that are desirable and practicable.

The Government believes that small firms have a significant role to play in regenerating the industrial base which is so vital to the economy. Ministers regard the smaller businesses as an important source of innovation, enterprise and industrial development, contributing to employment and output, especially in inner cities. The Department of Industry has a separate division which is the focal point for the formation of policy towards small firms, and the Parliamentary Under-Secretary of State for Industry, Mr Bob Cryer, has special responsibility for small firms. Some services, such as the Manufacturing Advisory Service, are intended for small and medium-sized companies, employing between 100 and 1,000 people. Help given through the temporary employment subsidy has been especially taken up by the smaller companies – 85 per cent of those benefited employ fewer than 250 people. According to the *Report on the Census of Production 1972*, of the 86,900 or so establishments in manufacturing industry some 10,500 employ between 100 and 1,000 people, while a further 15,000 employ between 25 and 100.

Help to Small Firms since 1974

1 The 1976 Finance Act raised the ceiling for the reduced rate of corporation tax (currently 42 per cent) from £25,000 to £30,000 and increased the level at which full tax (58 per cent) becomes payable from £40,000 to £50,000. The 1977 Finance Act effected a further raising of the ceiling, from £30,000 to £40,000 and allowed marginal relief to be provided on profits between £40,000 and £65,000.

2 The 1974 Finance Act increased retirement relief from capital gains from £10,000 to £20,000.

3 *Capital Transfer Tax:* Reliefs were provided during the passage of the Finance Act 1975 for certain lifetime transfers to be made at lower rates, coupled with deferment provisions. The 1976 Finance Act further provided a 30 per cent relief for transfers of value which relate to a sole ownership, partnership or a controlling shareholding in a company. Exemption for lifetime transfers was also increased from £1,000 to £2,000 in any one year.

4 *Stock Appreciation Relief:* Further to the extension, by the Chancellor of the Exchequer, of stock appreciation relief to all businesses, irrespective of size of structure, the scheme's continuation has been assured for a further two years while consultations take place with industry and the professions with a view to the adoption of a permanent system.

5 *Value Added Tax* (VAT): The Customs and Excise Department has revised the simplified schemes for smaller shopkeepers and introduced a new scheme of special interest to the small retailer. Account was taken by the Chancellor of the Exchequer of the needs of small businessmen, including retailers, in reducing the higher rate of VAT (which applied mainly to larger purchases) from 25 per cent to 12·5 per cent in his 1976 budget and the level at which firms are required to register was raised in the 1977 Finance Act from £5,000 to £7,500.

6 *Rating Relief:* Arrangements allowing certain classes of mixed hereditaments to benefit from domestic rate relief were introduced by the Government and it is now proposing an extension of this facility and also the right for commercial ratepayers to opt to pay by instalments. These provisions should benefit many small shopkeepers and others who live on their premises.

7 *Employment Protection Act 1975:* Modifications were incorporated to ensure that the burden of payments in connection with maternity are not borne by employers and also provisions whereby the circumstances of the business can be taken into account in determining the reasonableness of an employee having time off for public duties.

8 *Price Code Administration:* Reporting requirements and control levels were introduced with the aim of minimising the burden for small firms.

9 *Trade Credit:* Efforts have been made to ensure that public purchasers do not worsen liquidity by delays in payment and larger companies have been requested, via the Confederation of British Industry, to bear in mind the problems of their smaller customers and suppliers.

10 *Industrial Development Certificates* (IDC): In April 1976 the Department of Industry increased the size of project which was freed from the need to obtain an IDC (a development permit) to 'relieve industry, particularly small firms, of an irksome formality'. The increase was from 5,000 to 12,500 sq ft in the South East Planning Region and from 10,000 to 15,000 sq ft in the rest of the non-assisted areas.

11 The Government has taken action to ease the ability of small firms to acquire small suites in speculative office space.

12 In April 1976 the Government announced the introduction of three new schemes to assist small firms:

(i) A pilot counselling service in the south west which is likely to be extended to the rest of the country.

(ii) Government contributions to feasibility studies related to collaborative projects proposed by groups of four or more small firms or trade associations and other bodies representing them.

(iii) Review of management education facilities for small firms.

13 It also extended the Small Firms Information Service (operated throughout Great Britain by the Department of Industry in association with the Scottish Office and the Welsh Office) by opening a sub-centre in Liverpool, bringing the number of centres to 11.

14 There is a continuing programme of building advance factory 'nursery' units. There are 68 at present under construction for the Department of Industry.

15 A new scheme, the Manufacturing Advisory Service, was announced in May (see p 206). The purpose of the scheme will be to promote greater productivity and efficiency in firms employing between 100 and 1,000 people and engaged in the metal-working and fabrication industries.

16 The Government announced the introduction on 1 July of a new experimental scheme to encourage manufacturing firms in special development areas who employ fewer than 50 people to take on more staff. A subsidy of £20 per worker per week will be paid for an initial period of six months.

17 On 14 September the Department of Industry launched a scheme to help small manufacturing firms to determine where computer aids for management of production are likely to be viable. It will finance consultants to carry out feasibility studies in the firms. The new scheme aims to promote the use of computer-aided production management where it is likely to lead to an increase in efficiency.

Offshore Oil Developments in 1977

In 1977 large-scale offshore exploration for oil and appraisal of oil discoveries have been taking place in the British sector of the Continental Shelf, and decisions on developing a number of oilfields are expected to be taken within the next year. The British offshore supplies industry is becoming increasingly competitive and is winning a growing share of orders placed for offshore equipment and services.

Review of Activity in 1977

The Minister of State at the Department of Energy, Dr Dickson Mabon, reviewed the prospects for the development of Britain's offshore oil resources and their economic benefits in the opening address of the Offshore Europe Conference at Aberdeen. He said that 1977 was expected to be the second busiest year for exploration and appraisal activity in the British Continental Shelf, and that, if development work in connection with oil production were taken into account, it would be the busiest year since the start of exploration for offshore oil and gas. For the previous three months about 27 rigs had been drilling offshore in the British sector, and there was now a shortage of rigs available in Europe, compared with a surplus at the beginning of 1977. Some £240 million had been spent on exploration in the British Continental Shelf in 1976 and a considerably higher level of expenditure was likely in 1977. Although the success rate for exploration drilling in 1977 was below the rates achieved in 1975 and 1976, some notable finds had been made, such as British Petroleum's discovery to the west of Shetland (in block 206/8: for map, see p 195). Exploration activity in British waters would probably be maintained during 1978 as drilling began under the fifth round of offshore licensing (see pp 126-7); the prospects for the sixth round of offshore licensing were now being examined.

Dr Mabon said that earlier successful exploration work had been followed by 'some excellent appraisal results' which had improved the commerical prospects of a number of discoveries, notably the Thelma, Brae and Fulmar fields. Accordingly development work on about seven new fields was possible within the next year; a few platforms had recently been ordered and the Department of Energy was examining oil companies' proposals for developing the Beatrice, Buchan and Tartan fields. Investment in these developments and in the present commercial fields could be around £5,000 million between 1977 and 1980.

Production of oil in 1977 was expected to be about 40 million tonnes, nearly half of Britain's requirements. Later in the year the Claymore field and possibly the Thistle field would begin production, while in 1978 the Ninian and Heather fields were also expected to be in production. As a result of the start of these fields and of the growing output of present oilfields, production in 1978 was forecast to be between 60 million and 70 million tonnes, equivalent to about two-thirds of British demand for oil. Offshore oil would make a major contribution to the large surplus which was expected on the current account of the balance of payments.

Dr Mabon gave details of royalties from offshore oil and gas production. He said that in the first half of 1977 royalties of about £100 million had been received by the Government, of which over £82 million had come from oil production. The estimates for future Government revenues from royalties and taxation (see p 350) were 'impressive' and gave Britain 'good reason for confidence in its economic future'.

In connection with exports of crude oil, Dr Mabon said that the Government would continue with a flexible policy using the guidelines laid down in 1974 (see pp 476-7, 1974) based on its expectation that up to two-thirds of North Sea oil production could be refined in Britain. The Government had aimed to be self-sufficient in or net exporters of oil products and so had encouraged the installation of cracking facilities to produce from the heavier products expensive gasolenes and naphthas which Britain had traditionally imported. Several hundred millions of pounds were being spent on crackers and these would make a valuable contribution to reducing Britain's import bill.

Dr Mabon said that one of the earliest benefits of North Sea oil had been the development of a very effective and successful British offshore supplies industry. The stands at the associated exhibition represented the most advanced technologies available for offshore development. Britain's share of orders placed for equipment and services in its sector of the Continental Shelf had risen rapidly to 57 per cent in 1976, and in the first quarter of 1977 was almost two-thirds, 'a remarkable record by any measure'. As a result of the valuable expertise and experience gained in the North Sea, British industry was in a strong position to secure export orders and had already won a number of major orders from overseas. Dr Mabon said that he was confident that British industry could obtain a substantial share of the world offshore market, which could be worth as much as £6,000 million a year.

Nuclear Energy

Important aspects of the development of nuclear power in Britain in 1976-77 included its growing contribution to Britain's electricity production (now 14 per cent), further progress in the development programme of the fast reactor, and the expansion of resources devoted to research connected with nuclear safety and the environment, particularly the disposal of nuclear wastes. Britain's first production plant employing the gas centrifuge process to enrich uranium for use as fuel in nuclear reactors has been formally opened at Capenhurst.

UKAEA ANNUAL REPORT

Progress in nuclear research and development during 1976-77 is recorded in the annual report and accounts of the United Kingdom Atomic Energy Authority (UKAEA) published on 15 September.[1] In 1976-77 the authority's gross expenditure was £154·3 million, including £117·7 million on nuclear research and development, and its income

[1] *United Kingdom Atomic Energy Authority. Annual Report 1976-77.* UKAEA. HMSO, £2. ISBN 0 70 580168 3.

was £59 million, of which £37·9 million was income from research and development; the balance was financed by parliamentary grant. At the end of March 1977 the authority employed 13,282 people, of whom 2,598 were qualified scientists and engineers. No fatal accidents or serious radiation incidents were recorded during the year, and so the authority's high safety record was maintained.

Nuclear Power Development

The report notes that nuclear power stations were responsible for 14 per cent of Britain's electricity production in 1976-77 and that the proportion is expected to rise to 20 per cent when the three advanced gas-cooled reactor (AGR) stations being built begin production. Nuclear power stations of the Central Electricity Generating Board are producing electricity more cheaply than are oil-fired or coal-fired power stations, and figures indicate that nuclear power is likely to remain cheaper than power obtained from other fuels which are eventually expected to be needed for other purposes.

The UKAEA's largest single programme in 1976-77 continued to be the development of the fast reactor, and this accounted for £53 million of the authority's expenditure. The Prototype Fast Reactor (PFR) at Dounreay (Highland) was operated at its full thermal power of 600 megawatts (MW) before its first shutdown for refuelling. Problems with the steam-raising plant (see p 404, 1976) were largely overcome and its electrical output was raised to 200 MW, 80 per cent of the designed output. The PFR became the authority's main development and test facility for fast reactors as a result of the closure of the original Dounreay Fast Reactor (DFR). The primary purpose of the DFR during its 17 years of operation was to develop the technology of the fast reactor system and the report notes that in this it was 'outstandingly successful'. In September 1976 the UKAEA signed an agreement with the United States Energy Research and Development Administration which has greatly increased collaboration between Britain and the United States on fast reactor development. Collaboration on fast reactors continued with France, the Federal Republic of Germany, Japan and the Soviet Union.

Work on the AGR was concentrated on helping the generating boards to achieve the full potential of the reactors operating at Hinkley Point B and Hunterston B, and on providing support for those which are to be commissioned. The UKAEA's major facilities, especially the AGR at Windscale (Cumbria), are being used for a development programme on coolant composition and fuel so that any modifications required as a result of operating experience can be introduced quickly. The prototype steam generating heavy water reactor (SGHWR) at Winfrith (Dorset) was used extensively for testing commercial fuel and components, and again proved a reliable electricity producer. Further advances in nuclear fusion were made at the laboratory at Culham (Oxfordshire) which Britain continued to support as the site for the Joint European Torus (JET) fusion project (see p 423, 1976).

A greater number of scientists and engineers were allocated to work connected with nuclear safety and the environment, particularly the management of radioactive waste. The UKAEA and British Nuclear Fuels Limited (BNFL) co-operated on the Harvest programme dealing with vitrification whereby highly active liquid wastes are converted into a solid insoluble glass which is contained in stainless steel cylinders. Initial results indicate that vitrification offers a suitable means of long-term storage. A possible method of disposal is to bury the encased glass in stable geological formations. The UKAEA, in collaboration with the Institute of Geological Sciences (IGS), is participating in a programme of the European Atomic Energy Community (Euratom) to study several types of formation which might be suitable for radioactive waste disposal. In Britain hard rock areas that appear to meet the geological and geographical criteria have been selected, and plans have been prepared for the IGS to begin field studies.

URANIUM ENRICHMENT

A £50 million uranium enrichment plant at the Capenhurst (Cheshire) works of British Nuclear Fuels Limited was officially opened on 15 September by the Chairman of the Electricity Council, Mr Francis Tombs. It uses the gas centrifuge process to produce enriched uranium containing about four or five times the proportion of fissile uranium 235 that occurs in natural uranium (0·7 per cent). Enriched uranium is more economic and effective than natural uranium as a fuel for nuclear power stations and is used in most modern nuclear stations, such as Britain's AGR stations. The gas centrifuge process involves the conversion of solid uranium hexafluoride (a compound of uranium and fluorine) into a gas which is passed through a centrifuge 'cascade', a series of rotating tubes, resulting in a partial separation of uranium 235 and the more abundant heavier uranium 238 (the principal isotopes of uranium) to produce enriched uranium hexafluoride together with depleted uranium hexafluoride. Work on the gas centrifuge process has been in progress at Capenhurst for 17 years; recently two prototype plants have been operating satisfactorily. A major advantage of this process is that it uses less than ten per cent of the electricity required by other processes, such as the gaseous diffusion process which has been used to produce enriched uranium at Capenhurst since the early 1950s.

The new plant, which has an initial annual capacity of 200 tonnes, has been built under a tripartite agreement between Britain, the Federal Republic of Germany and the Netherlands, and is intended to foster European collaboration in the development of the gas centrifuge process. Under the agreement, a central company, Urenco Limited, is concerned with matters relating to the project as a whole; in addition, two other commercial enterprises – Urenco (UK), which is managed by BNFL, and Urenco (Nederland) – operate the enrichment plants at Capenhurst and at Almelo in the Netherlands respectively. Urenco plans to install further capacity at these sites, bringing the combined annual capacity to 2,000 tonnes by 1983-84 and to 10,000 tonnes by 1990. It has orders for over 20,000 tonnes of separative work for delivery up to 1992, worth more than £1,000 million at 1977 prices.

Civil Aviation

Recent developments in civil aviation have included the start of Laker Airways' cheap, no-reservation 'Skytrain' service between London (Gatwick) and New York (John F. Kennedy) airports, further developments concerning the landing rights of the *Concorde* supersonic aircraft in the United States, and progress by the Civil Aviation Authority towards achieving the financial targets set by the Government.

SKYTRAIN

Laker Airways inaugurated its daily Skytrain service on 26 September using one of its four 345-seat *McDonnell Douglas DC10s*. Some 270 passengers were carried on the first flight from Gatwick and all the seats on the return flight from New York were filled. The main feature of Skytrain is the relatively low cost of a journey and the chairman of Laker Airways, Mr Freddie Laker, believes that this factor will stimulate transatlantic air travel substantially. A single Skytrain ticket, which can be bought at the airport after 04.00 hrs on the day of departure, costs £59 from Gatwick and $135 (£79) from New York, less than half the normal scheduled service fare; return tickets are not available and advance bookings are not allowed. Cheap fares from Britain to the United States have previously been available only for return journeys booked at least 45 days in advance. Laker Airways estimates that it will operate profitably during the winter of 1977-78 if average loads exceed 189 passengers.

The six existing scheduled service operators between London and New York (British Airways, Pan American, Trans World Airlines, El Al, Iran Air and Air-India) have responded by offering 'stand-by' and 'budget' fares. Stand-by seats are made available if there is spare capacity on flights after all the passengers paying the normal price have been accommodated. Fares from Britain are £64 single or £149 return. The airlines are allowed to offer up to 2,900 stand-by seats a week each way on the London-New York route. Budget fares, costing from Britain £69 single or £161 return, provide a guaranteed seat for a passenger who tells the airline at least 21 days in advance of the period during which he wishes to travel; he is given details of his particular flight at least ten days before departure.

CONCORDE

Prospects for future *Concorde* services to the United States have been improved as a result of the decision announced on 23 September, by the United States Secretary for Transportation, Mr Brock Adams, to continue to allow *Concorde* to land at Washington (Dulles) airport after the completion of the 16-month trial period (see pp 82 and 262, 1976). Since May 1976 British Airways' *Concordes* have carried over 30,000 passengers across the North Atlantic, and flights have gradually been increased in frequency from the original two a week so that a daily service is now operating between London (Heathrow) and Washington. Mr Adams indicated that *Concorde* would be allowed to fly to certain other major airports in the United States, provided that it travelled at subsonic speeds over land, did not exceed present noise levels, did not fly at night between 22.00 and 07.00 hrs, and was accepted by the local airport authorities. British Airways welcomed the decision to continue to permit *Concorde* flights to Washington and a spokesman said that it confirmed that *Concorde* had 'passed the public acceptability test' as far as the communities around the airport were concerned. The next step was to start services to New York (John F. Kennedy) airport and the airline welcomed the Federal Government's continuing support on this point.

A federal court of appeals in New York has recently ordered the Port Authority of New York and New Jersey to withdraw its ban on *Concorde* landings at John F. Kennedy airport. Although the authority has declared its intention of appealing to the Supreme Court, British Airways hopes to be able to start test flights shortly and to inaugurate commercial services between London and New York towards the end of November 1977.

Effects of Supersonic Aircraft on the Stratosphere

The exhaust emissions of current fleets of supersonic aircraft on the stratospheric ozone layer are negligible, according to an inter-governmental report on monitoring the stratosphere, published on 4 October.[1] The report says that the most recent calculations indicate that the amount of ozone reduction as a result of a fleet of around 30 *Concorde*-like aircraft would be only a small fraction of 1 per cent. The main British contribution to the tripartite agreement on stratospheric monitoring between Britain, France and the United States has been the joint development by the British Aircraft Corporation (now part of British Aerospace, see pp 193-4) and the United Kingdom Atomic Energy Authority of an 'upper atmosphere sampling package' to be flown on commercial *Concorde* flights.

CAA ANNUAL REPORT

In 1976-77 the Civil Aviation Authority (CAA), which is responsible for the economic, technical and operational regulation of Britain's civil aviation industry, achieved improved financial results, with both its operating loss and the grants received from the Government being lower than in 1975-76, according to its annual report and accounts published on 22 September.[2] Income rose by 46 per cent to £65·3 million, but expenditure increased by only 5 per cent to £97·9 million. The operating loss of £32·6 million was 33 per cent less than in 1975-76, and the Government grant was £44·5 million, compared with £60·5 million in the previous year. The CAA succeeded, before the required date, in meeting its long-term financial target, set by the Government in the 1976 White Paper on civil aviation (see pp 122-3, 1976), of breaking even

[1] *Tripartite Agreement on Stratospheric Monitoring between France, the United Kingdom and the United States of America. Joint Annual Report 1976-77.* Department of the Environment Pollution Paper No 13. HMSO, £2·75. ISBN 0 11 751239 7.

[2] *Civil Aviation Authority. Annual Report and Accounts 1976-77.* Available from the CAA, PO Box 41, Cheltenham, Gloucestershire, £2·50. ISBN 0 86039 046 2.

beyond 1977-78 on all activities, except on the provision of British airspace traffic services and on the operation of its eight aerodromes in the Highlands and Islands of Scotland.

In 1976-77 the recovery of the civil aviation industry continued, with most British airlines and many travel organisers reporting improved financial results. Traffic from Britain across the North Atlantic and to the Far East grew substantially, but holiday traffic to the rest of Europe declined. The industry maintained a high standard of safety and there was only one major public transport accident. The Air Navigation Order was amended to require most public transport aircraft to carry a ground proximity warning system. Important technical and organisational improvements were carried out by the National Air Traffic Services including preparatory work on the introduction of radar data processing at the London Air Traffic Control Centre at West Drayton, and on technical facilities for the new Scottish Air Traffic Control Centre at Prestwick (Strathclyde) which is expected to be operational early in 1978.

Shorter Notes

GOVERNMENT AID TO INDUSTRY

The 1976-77 report[1] on the exercise of powers under the Industry Act 1972 was published on 28 September. As part of the Government's industrial strategy, priority continued to be given to expenditures under section 8 of the Act for the purposes of maintaining or improving Britain's industrial capacity. The limit on aid of this kind was raised to £1,600 million during the year (see p 9); new schemes were introduced covering eight industrial sectors (making 11 in all,[2] which involved offers of £56 million in assistance out of a total allocation of £221 million at the end of March); and a major £100 million scheme to stimulate investment was started (see p 24). Assistance to individual firms also continued. Substantial measures were also introduced under the sections of the Act authorising finance for the construction of ships and mobile offshore installations. These measures, which included insurance against rising costs, refund guarantees and a £65 million intervention fund (see p 123), had been taken against a background of worldwide recession in shipbuilding. Assistance under schemes of regional aid – the third main category covered by the Act – also increased. Regional development grants amounted to £410 million, an increase of 26 per cent on the previous year, while regional selective financial assistance amounted to £90 million, an increase of 20 per cent. The report also gives details of assistance under the Local Employment Act 1972 and the Industrial Development Act 1966.

[1]*Industry Act 1976. Annual Report 1976-77.* HMSO, £1·85. ISBN 0 10 254577 4.

[2]The 11 sectors are wool textiles, ferrous foundries, machine tools, clothing, paper and board, non-ferrous foundries, electronic components, printing machinery manufacture, textile machinery manufacture, poultrymeat processing and redmeat slaughterhouses.

A broad outline of Government support for industry is given in a text prepared by the Department of Industry as evidence for the Wilson Committee on the supply of funds to industry and trade (see p 446, 1976) and published in *Trade and Industry*, 23.9.77.

SUCCESS OF COUNTER-INFLATION POLICY

The annual rate of inflation in Britain has fallen in two successive months, from 17·7 per cent in the 12 months to June 1977 to 17·6 per cent in the 12 months to July 1977, and then to 16·5 per cent in the 12 months to August 1977, the biggest drop in a month for over a year. In provisional figures released on 6 October, the Price Commission showed that its own index of forthcoming price rises, based on notifications by firms of proposed price increases, fell from a peak of nearly 21 per cent in March 1977 to under 8 per cent in September 1977.

The falling inflation rate reflects in part the effectiveness of the voluntary restraint on pay increases during that period (see pp 246-7, 1976), average earnings having risen by only 8·8 per cent in the 12 months to August 1977.

Delegates at the annual Trades Union Congress (TUC) held in Brighton voted on 6 September in support of the continuance of a 12-month interval between pay settlements (see p 304) by 7·1 million votes to 4·3 million votes, a majority of 2·8 million votes. In a debate on the economy on 7 September, the general secretary of the TUC, Mr Len Murray, warned of the inflationary dangers of massive wage claims.

NATIONAL CONSUMER COUNCIL REVIEW OF ADVICE SERVICES

The National Consumer Council (NCC), an independent, non-statutory body aided by Government grant and set up in 1975, has published a discussion paper entitled *The Fourth Right of Citizenship: A Review of Local Advice Services.*[1] This gives the conclusions of an investigation undertaken at the Government's request into the adequacy of consumer advice services. The paper, which covers advice services in general, finds that these have shown their worth and that demand for them is great and growing. Nevertheless, it concludes that the service now needs to be shaped into a coherent whole and planned in concert so that it can be more fully effective, and the last part of the paper suggests how this might be done. The main services which the paper discusses in some detail are the Citizens Advice Bureaux, Consumer Advice Centres, Housing Advice, Legal Advice, Money Advice and Neighbourhood Advice.

CONSERVATION OF MACKEREL STOCKS

Following consultations with interested parties, ministers with responsibility for fishery matters have issued an Order providing for new conservation

[1]Available from the NCC, 18 Queen Anne's Gate, London SW1H 9AA. 75p. ISBN 0 905653 10 6.

measures and improved management of the catch of mackerel stocks by British vessels fishing in the areas off the west of Scotland, the south-west of England and in the Irish Sea. In making the Order, ministers have taken into account the position of local fishermen and the problems of those sections of the industry that have lost fishing opportunities elsewhere (see pp 267-8).

The Order, which took effect from 17 September 1977, prohibits fishing for mackerel in these areas, except for vessels under licence. Licences are being issued for an initial period from 17 September until 31 October 1977, and licence holders are required to submit information on landings and disposals of their mackerel catch.

The provisions of the Order will be reviewed at the end of this period. Particular account will be taken of the need for the conservation of stocks, the total landings to date, and the porportion of the catch which has been sold for human consumption.

ENERGY CONSERVATION IN INDUSTRY

A five-point plan of measures to give industry greater incentives to save energy was announced by the Secretary of State for Energy, Mr Anthony Wedgwood Benn, on 26 September, when he opened the National Energy Managers' Conference at Birmingham:

1 A programme of research and demonstration projects to show industry the potential for energy-saving is planned by the Department of Energy. The initial programme, which will concentrate on waste heat recovery, might cost some £1·5 million, of which over £400,000 has already been allocated to 18 approved projects.

2 An Energy Quick Advice Service has been launched to provide information and advice free of charge on questions concerned with energy conservation raised by industry, commerce and public sector bodies such as schools, hospitals and local authorities.

3 The subsidy provided under the Energy Survey Scheme has been doubled, so that any organisation in industry, commerce or the public sector can now get a grant of 100 per cent, subject to a maximum payment of £60, towards the costs and fees of a one-day visit by an energy consultant. Over 250 surveys have been carried out since the scheme was introduced in December 1976 and the Department of Energy is keen to encourage many more organisations to take advantage of the financial assistance available.

4 Surveys of 21 energy-intensive industries are being sponsored by the Department of Energy and the Department of Industry under the Energy Audit Scheme to provide details of energy use and the potential for energy savings; the first report, on the iron castings industry, published in May 1977, indicated that savings of at least £15 million a year were possible within 15 or 20 years.

5 A monthly newspaper, *Energy Management* (see p 395), is being produced primarily for energy managers in industry, commerce and the public sector to promote awareness of the need to save energy and to exchange managers' views on, and experiences of, achieving efficiency in the use of energy.

NEW FORD ENGINE PLANT FOR WALES

The Ford Motor Company announced its decision on 9 September to build a new car engine plant at Bridgend in south Wales. Building, plant and machinery costs will be £180 million with a further £70 million in ancillary facilities. Employing 2,200 people and creating perhaps twice as many jobs in ancillary services, the plant represents the largest single investment in Britain by an overseas company in over ten years and possibly the largest ever in south Wales. Work on the 73 hectare (180 acre) site is to start immediately and when complete in 1980 the plant is expected to produce over £150 million-worth of engines annually for export alone.

SOCIAL AND CULTURAL AFFAIRS

University-Industry Relations

The needs of manufacturing industry are being given high priority in British universities and other advanced-level education. The number of students entering degree courses in science and technology is on the increase – applications are up more than 10 per cent this year – and the aim now is to attract a greater proportion of students of high ability and motivation. Examples of measures being taken with this aim in mind include special very high quality first-degree courses in engineering, and schemes to broaden the training of postgraduate students and increase its relevance to the requirements of industry.

These are some of the main points contained in *University-Industry Relations*, a Government White Paper published on 13 September[1] in the form of a reply to a report published in November 1976 by the House of Commons Select Committee on Science and Technology (see pp 477-8, 1976).

Underlying the White Paper is the Government's firm commitment, through its industrial strategy, to give manufacturing industry, together with the fight against inflation, priority over other objectives and to maintain a policy framework which will help to improve the country's economic performance. In the Government's view the education system has a vital contribution to make by providing education and training of the highest possible quality at all levels, and in developing wider understanding of the role of industry in creating wealth without which desirable social objectives cannot be achieved.

Some of the main points of the White Paper are outlined below.

In General

The Government agrees with the select committee that the training of engineers and applied scientists at all levels needs to be given high priority but emphasises that plans to meet the needs of productive industry should also include the encouragement of the physical sciences, biological sciences, agriculture and agricultural sciences, management and business studies, economics, accountancy, computing and other sciences.

For a time there was concern over the number of students entering degree courses in engineering and technology which, after reaching 42,000 in 1971-72, fell back somewhat. The number has recently been increasing, however, and in 1976-77 is estimated to be about 48,000. The prospects are that it will continue to rise, applications for entry to university courses in science and technology having increased by a tenth this year and including a marked swing towards engineering, technology and applied sciences. The picture in the polytechnics and other further education colleges is the same.

As a result of these general trends the Government believes that the main problem now is to attract a greater proportion of students of high ability and motivation. There are already some signs that this is happening, and measures taken with this aim in mind are described in the White Paper.

Undergraduate Courses

Over the past ten years many universities have widened the range of courses for engineers and applied scientists, and have modified their structure and content in response to the needs of an increasingly complex technological society, although it takes time for these changes to work through the system and produce demonstrable effects on industrial management. The polytechnics and other further education establishments have a long tradition of providing courses for students entering industry or already working in it, many of them specially developed at the request of employers.

As part of the continuing adjustment in higher education as industry's requirements change, the University Grants Committee recently reviewed provision for engineering in the universities. It concluded that the first requirement was to introduce some additional first-degree courses of very high quality with a pronounced orientation towards manufacturing industry. These courses, which might last four years instead of the usual three, would be for outstanding students who might be expected to reach senior levels of management. In addition to engineering studied to the level of the existing honours degree, they would include teaching in other skills required by a successful industrial manager, such as accountancy, management, industrial relations and possibly a European language. Several universities are now planning courses along these lines; the first entries will be in the autumn of 1978.

The number of students taking these special courses will be small, and the Government believes that it is also important to consider the needs of the very much larger number of graduates who find

[1] Cmnd 6929, HMSO, 50p. ISBN 0 10 169280 3.

employment at the 'technician engineer' level – assistant engineers working on projects under a chartered engineer, for example, process supervisors, chief draughtsmen and sales engineers. Many technician engineers have followed courses below degree level, but the proportion of graduates is likely to increase. The University Grants Committee is therefore encouraging universities to bear in mind the need for an appropriate practical orientation in designing and adjusting their degree courses, and the Council for National Academic Awards (which awards degrees comparable in standard with those granted by universities to students successfully completing approved courses in establishments which do not have the power to award their own degrees) is considering what changes are desirable in its field.

The Government believes that the professional institutions have an important part to play in improving professional standards and in helping to develop collaboration between higher education and industry. In July 1977, for instance, it announced the establishment of a committee of inquiry into the engineering profession. The committee's terms of reference (given on p 288) include a review of the role of the professional institutions in relation to the education and qualification of engineers at professional and technician level.

'Sandwich' courses, which involve students in a period of experience in employment during their studies, have long been a feature of polytechnics and other further education establishments, and the number of students taking them there grew from 4,000 in 1965 to 47,000 in 1975. The University Grants Committee has always valued the courses, and has played a considerable part in their introduction and development in the universities. The ten technological universities are strongly committed to them. To encourage employers to provide more training places, the Government has allocated grants through the Training Services Agency as part of special measures to augment industry's own training. These grants amounted to more than £3 million in 1976-77. Industrial training boards and other relevant bodies have been asked to estimate the shortage of college-based students in relation to their industry's long-term needs for trained employees.

The White Paper also mentions the importance the Government attaches to other forms of vocational education and training, such as the programmes validated by the Technician and Business Education Councils. It welcomes the trend for increased participation by girls in further education – their numbers in the non-advanced level sector have shown a steady increase over the last ten years, to overtake the number of young men in the full-time and sandwich group by 1975-76.

New schemes are also being developed for the large number of young people who have not hitherto received any systematic training or further education. The launching of pilot schemes of 'unified vocational preparation' (see p 340, 1976) and other similar initiatives are seen as important developments in an area where, in the past, too little has been known about the needs of such young people and the most appropriate forms of provision for them. The recently established Further Education Curriculum Review and Development Unit (see p 132) is giving priority to this area.

Postgraduate Courses

The Science Research Council is the chief source of support for Britain's postgraduate students in engineering and the natural sciences. Its support is normally either for research studentships, usually lasting three years and leading to a PhD, or for advanced course studentships, usually lasting one year and leading to a Master's degree.

In addition to the usual awards, however, several new schemes have been adopted to broaden the nature of a research student's training, and to increase its relevance to subsequent employment. The schemes reflect the Government's general policy, announced in 1976 (see p 367, 1976), that postgraduate education should be shaped, not by student demand alone, but principally by the needs of the economy and of society as a whole; that resources for postgraduate education should be provided primarily to meet the country's need for trained manpower; and that the content and balance of training are best left to the autonomous interaction of the institutions themselves, the research councils and employers.

Referring to some of the Science Research Council's special schemes, the Government notes the growth in numbers of CASE studentships – Co-operation Awards in Science and Engineering which are awarded to research students undertaking projects jointly formulated by an academic department and an outside organisation which provides some resources and allows the student to work 'on site' for at least three months during the three years of the award. In 1976 the council planned to award at least 310 CASE studentships, nearly double the number in 1974, but, because of great demand, in the event made 558 awards; it intends to increase this number to at least 600 in 1977.

The council also hopes in 1977 to award, for example, 280 industrial studentships (whereby it pays the usual grant to an employer who releases an employee to undertake a research or advanced degree course at his normal salary); to offer 280 INSTANT awards (which provide for an early decision on applications from candidates in employment who wish to return to university with a research studentship or an advanced course studentship); and to increase the number of awards available under the Total Technology Scheme (under which the council provides awards for PhD students to pursue a research project on an industrial theme, supplemented by group activities such as design projects and lecture courses in related technical subjects and in subjects such as economics, marketing and industrial relations).

One of the Science Research Council's latest initiatives is the Teaching Company scheme under which young graduates will receive training in a selected firm (the teaching company) complemented by instruction in a university or polytechnic. The cost of the projects is to be shared between the council and the Department of Industry, and the two bodies have announced proposals to increase the number of projects – at present seven, although several universities and polytechnics are discussing

further plans with interested companies – to 20 by 1982, at a total cost estimated to rise to £2 million a year.

Post-experience Courses

The Government also attaches great importance to the development of post-experience courses designed to bring existing skills up to date or to impart new skills. Such courses are available in universities, polytechnics and other further education establishments. Earlier in 1977, on the engineering side, the Engineering Industry Training Board launched a scheme awarding a number of fellowships to selected managers with experience in industry who will spend six months on a course at the Cranfield Institute of Technology and 12 months with companies on project work.

Financial Incentives for Students

Two Government initiatives have been made recently to provide financial incentives for students. First, students may now receive payments by employers of up to £500 a year without any reduction in their local education authority grants (this sum is in addition to the normal income 'disregard' of £215). Employers may make these payments to students entering higher education in the normal way or to their own 'high flyers' who may have entered employment direct from school. Second, a scheme is being discussed with industry for industrial scholarships to be planned and financed jointly with industry. The scholarships would be designed to attract a greater number of the most able entrants to higher education into engineering courses of direct relevance to industry, and would be associated not only with the highest academic standards but also with courses which provide a sound foundation for a career in technological management.

Administration

Since the early 1960s, when the policy of devoting two-thirds of all additional university places to science and technology was adopted, the University Grants Committee has consistently devoted the greater part of its resources to developing the facilities in science and technology, with a strong accent on the applied sciences.

The most outstanding results include the completion of the Jubilee Scheme development at London's Imperial College of Science and Technology; huge extensions to the University of Manchester Institute of Science and Technology and to the University of Strathclyde; and the building up of the technological universities. In 1974-75 – the latest year for which figures are available – the ratio of staff to students was 1 : 7·9 for engineering and applied science, compared with 1 : 10·1 for arts students.

Other Issues

The White Paper discusses the need for employment in industry to attract more of the country's ablest young people, and outlines some of the arrangements made to see that school children understand the workings of industry, its role in creating wealth for society, and the career opportunities which it offers. Also considered are ways of harnessing research and development resources in the service of productive industry.

Shorter Notes

AWARDS FOR BRITISH TELEVISION

Television programmes from Britain won both music prizes at the 29th Prix Italia festival held in Venice in September. The Prix Italia music prize was awarded to Thames Television's version of the *St Nicholas Cantata* by the British composer, the late Benjamin Britten, and the Radiotelevisione Italiana music prize went to the BBC's *A Life in the Country*, a programme about British guitarist, Julian Bream. More than 20 countries took part in the festival. It is the third year running that British television has taken two of the festival's six prizes: in 1975 the BBC won the Italia prizes for both drama and documentary programmes, and Thames Television repeated the achievement in 1976.

DOCUMENTATION

Government and Administration

The Civil Service. Eleventh Report from the Expenditure Committee Session 1976-77. Vol I, Report. HMSO, £1·60. ISBN 0 10 297477 2; *Vol II, Minutes of Evidence* (in two parts). HMSO, £16·50. ISBN 0 10 296177 8*; and *Vol III, Appendices.* HMSO, £4·60. ISBN 0 10 297177 3.

The Report of the Local Government Staff Commission for England. Department of the Environment. HMSO, £1. ISBN 0 11 751138 2.

Northern Ireland. COI, FSB/A6.

External Affairs and Defence

Co-operation Agreement between the European Economic Community and . . . Tunisia, and . . . between . . . the European Coal and Steel Community and . . . Tunisia. Cmnd 6894. HMSO, £2·10. ISBN 0 10 168940 3.

Co-operation Agreement between the European Economic Community and . . . Morocco, and . . . between . . . the European Coal and Steel Community and . . . Morocco. Cmnd 6920. HMSO, £2·10. ISBN 0 10 169200 5.

Financial Protocol between the European Economic Community and Greece. Cmnd 6917. HMSO, 25p. ISBN 0 10 169170 X.

The Belgrade CSCE Follow-Up Meeting. (See p 369.) COI, Factel No 678.

Selected Documents relating to Problems of Security and Co-operation in Europe, 1954-77. Cmnd 6932. HMSO, £5·10. ISBN 01 01 6932 06.

Final Act of the Diplomatic Conference on the Reaffirmation and Development of International Humanitarian Law applicable in Armed Conflicts, with Protocol I, Protocol II and Resolutions adopted at the Fourth Session. The Conference was convoked by the Swiss Government in 1974, following two years of preparatory work, undertaken by Government experts under the aegis of the International Committee of the Red Cross. Two protocols additional to the Geneva Conventions (1949) were adopted by consensus. The aim of the protocols is to extend and bring up to date the provisions for the protection of the victims of armed conflict contained in the Geneva Conventions, and the rules for the conduct of conventional warfare contained in the Hague Rules (1907). The protocols have been referred to Governments for consideration, and they will be opened for signature on 12 December 1977. Cmnd 6927. HMSO, £1·60. ISBN 0 10 169270 6.

Rhodesia. COI, Factel No 668.

Award of Her Britannic Majesty's Government pursuant to the Agreement of Arbitration (Compromiso) of a Controversy between the Argentine . . . and . . . Chile concerning the region of the Beagle Channel. HMSO, £15. ISBN 0 11 591649 0.

Economic and Scientific Affairs

National Income and Expenditure 1966-76 (see p 379). Central Statistical Office. HMSO, £3·95. ISBN 0 11 630168 6.

United Kingdom Balance of Payments 1966-76 (see p 383). Central Statistical Office. HMSO, £2·95. ISBN 0 11 630170 8.

World Invisible Trade. August 1977 (see p 383). Committee on Invisible Exports, 7th Floor, The Stock Exchange, London EC2N 1HH. £2.

Export Growth. The volume of total British exports is expected to increase by around 5 per cent between the first and second half of 1977, according to forecasts based on the Department of Trade's latest survey into short-term export prospects among

Britain's major exporting companies. For 1977 as a whole the increase over 1976 is expected to be around 9 per cent. These companies expect their own export volume in the second half of 1977 to be 13 per cent up on the same period of 1976; the value of their exports in 1977 is expected to be around 24 per cent higher than in 1976. *Trade and Industry*, 16.9.77.

British Labour Statistics Year Book 1975. Department of Employment. HMSO, £20. ISBN 0 11 361097 1.

Health and Safety Statistics 1975. Health and Safety Executive. The report, which covers the years 1971-75, brings together in as nearly comparable form as possible, information previously only available from a variety of sources, such as the annual reports of Her Majesty's chief inspectors of factories and mines and quarries, social security statistics and the Employment Medical Advisory Service. HMSO, £1·75. ISBN 0 11 883008 2.

Labour Costs in 1975. Preliminary results from the 1975 survey of employers' labour costs, conducted under a European Community regulation, show that for all manufacturing industries, together with mining and quarrying, construction and gas, electricity and water undertakings, total labour costs averaged £1·67 per hour per employee. Of this, wages and salaries accounted for £1·46 per hour or 87·5 per cent of total labour costs. *Department of Employment Gazette*, September 1977. HMSO, £1·20. ISBN 0 11 724491 0.

Price Commission. Report for the period 1 June to 31 July 1977. The report (see p 389) is the last to be published under legislation prior to the introduction of the Price Commission Act 1977 (see p 296). Cmnd 6950. HMSO, £1·15. ISBN 0 10 169500 4.

Industry Act 1972 Annual report by the Secretaries of State for Industry, Scotland and Wales for the year ended 31 March 1977. HMSO, £1·85. ISBN 0 10 254577 4.

National Consumer Council: *The Fourth Right of Citizenship: A Review of Local Advice Services* (see p 389). Available from the NCC, 18 Queen Anne's Gate, London SW1H 9AA. 75p. ISBN 0 905653 10 6.

Department of Trade: Annual Report on Companies in 1976. HMSO, £1·25. ISBN 0 11 511143 3.

Metal-working Machine Tools. COI, FSI/26.

Study into Uses of Natural Stone. A study into the potential uses of natural stone in new building has been commissioned jointly by the Department of the Environment, the Federation of Stone Industries and the Association of Natural Stone Industries. Changes in the design and construction of buildings leading to the use of lighter, less traditional products and factory-produced components, has diminished the demand for natural stone. The study, which it is estimated will be completed in mid-1978, will explore the resources of the industry and the scope for developing new methods of using stone in component form in new buildings. Department of the Environment press notice, 27.9.77.

The Development of Alternative Sources of Energy for the United Kingdom. Third report from the Select Committee on Science and Technology, Session 1976-77. Vol 1, Report and Minutes of Proceedings. HMSO, £1·10. ISBN 0 10 297377 6. Vol 2, Minutes of Evidence. HMSO, £9·60. ISBN 0 10 295777 0. Vol 3, Appendices to the Minutes of Evidence. HMSO, £2·10. ISBN 0 10 295877 7.

The Exploitation of Tidal Power in the Severn Estuary. Fourth Report from the Select Committee on Science and Technology, Session 1976-77. HMSO, 70p. ISBN 0 10 256477 9.

Energy Management. A new monthly newspaper designed to keep energy managers and others informed of the latest developments on energy conservation. Available free from Room 1395, Department of Energy, Thames House South, Millbank, London SW1P 4QJ.

Oil. COI, FSI/13.

United Kingdom Atomic Energy Authority. Annual Report 1976-77 (see p 386). UKAEA. HMSO, £2. ISBN 0 70 580168 3.

Central Water Planning Unit. Annual Report 1976-77. Available free from the Central Water Planning Unit, Reading Bridge House, Reading RG1 8PS. ISBN 0 904839 22 2.

Civil Aviation Authority. Annual Report and Accounts 1976-77 (see p 388). Available from CAA, PO Box 41, Cheltenham, Gloucestershire, £2·50. ISBN 0 86039 046 2.

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Natural Environment Research Council. Report for 1976-77. NERC. HMSO, £4. ISBN 0 10 256777 8

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Tripartite Agreement on Stratospheric Monitoring between France, the United Kingdom and the United States of America. Joint Annual Report 1976-77 (see p 388). Department of the Environment Pollution Paper No 13. HMSO, £2·75. ISBN 0 11 751239 7.

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Her Majesty's Chief Inspector of Constabulary for Scotland: Report for the Year Ended 31st December 1976. Cmnd 6891. HMSO, Edinburgh, £1. ISBN 0 10 168910 1.

Criminal Statistics Scotland 1976. Cmnd 6885. HMSO, Edinburgh, £1·75. ISBN 0 10 168850 4.

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Department of Health and Social Security. Annual Report 1976. Cmnd 6931. HMSO, £1·40. ISBN 0 10 169310 9.

Supplementary Benefits Commission. Annual Report 1976. Cmnd 6910. HMSO, £4·15. ISBN 0 10 169100 9.

Social Work in Scotland in 1976. HMSO, 35p. ISBN 0 10 169180 7.

Priorities in the Health and Social Services: The Way Forward. A further discussion of the Government's national strategy based on the consultative document, *Priorities for Health and Personal Social Services in England* (see pp 177-9, 1976). HMSO, £1. ISBN 0 11 320676 3.

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Annual Reports for 1976 of the Medicines Commission, the Committee on Safety of Medicines, the Veterinary Products Committee, the British Pharmacopoeia Commission, the Committee on the Review of Medicines, the Committee on Dental and Surgical Materials and the Medicines Division of the Department of Health and Social Security. HMSO, £1·60. ISBN 0 10 242877 8.

Understanding Cancer: A Guide for the Caring Professions. Edited by Ian Burn and Roger Meyrick. HMSO, £2. ISBN 0 11 320511 2.

Statistics of Education 1976. Volume 1, Schools. Department of Education and Science statistics for England and Wales. HMSO, £4·75. ISBN 0 11 270432 8.

A New Partnership for Our Schools: Report of the (Taylor) Committee of Enquiry into the Management and Government of Schools. The committee believes that parents and other people from the local community should have an equal voice with teachers and representatives of local education authorities on the governing bodies of schools. HMSO, £3·25. ISBN 0 11 270457 3.

The Attainments of the School Leaver: Tenth Report from the Expenditure Committee, Session 1976-77. Volume I, Report. HMSO, £1·10. ISBN 0 10 252677 X. *Volume II, Minutes of Evidence.* HMSO, £6·60. ISBN 0 10 296677 X. *Volume III, Minutes of Evidence.* HMSO, £7·60. ISBN 0 10 296777 6.

University-Industry Relations. The Government's Reply to the Third Report of the Select Committee on Science and Technology, session 1975-76 (see p 391). Cmnd 6928. HMSO, 50p. ISBN 0 10 169280 3.

The Housing (Homeless Persons) Act 1977. Joint circular issued by the Department of the Environment, the Department of Health and Social Security and the Welsh Office as guidance to local authorities on the implementation of the Housing (Homeless Persons) Act 1977 (see pp 134 and 295), which will come into force in England and Wales on 1 December 1977. HMSO, 25p. ISBN 0 11 751214 1.

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Inner Area Studies. Liverpool Inner Area Study: *Social Area Analysis.* Describes the social areas and characteristics of Liverpool at the time of the 1971 Census of Population, and maps the inner area of the city in terms of urban deprivation. Available from the Department of the Environment, Room P2/127, 2 Marsham Street, London SW1P 3EB. £2·30.

Notes on Control of Environmental Pollution: Clean Air. COI, SN5988/4.

The Scottish Sports Council. Fourth Report, 1976-77. Available from the council, 1 St Colme Street, Edinburgh EH3 6AA. £1.

Leisure and the Quality of Life: a Report on Four Local Experiments. The purpose of the experiments was to see what could be achieved in four different

urban areas by locally-led campaigns to develop and increase a full range of leisure activities – cultural, recreational and sporting. HMSO, £2·75. ISBN 0 11 751233 8.

Screen Violence and Film Censorship. A report by the Home Office Research Unit which concludes that there is ample evidence that audience emotions may be strongly aroused by screen violence, and that such reactions provide grounds for maintaining some sort of film classification system. It says, however, that there is no clear evidence, despite considerable research, that watching scenes of violence on film leads to imitative behaviour on the part of members of the audience. HMSO, £2·75. ISBN 0 11 340680 0.

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